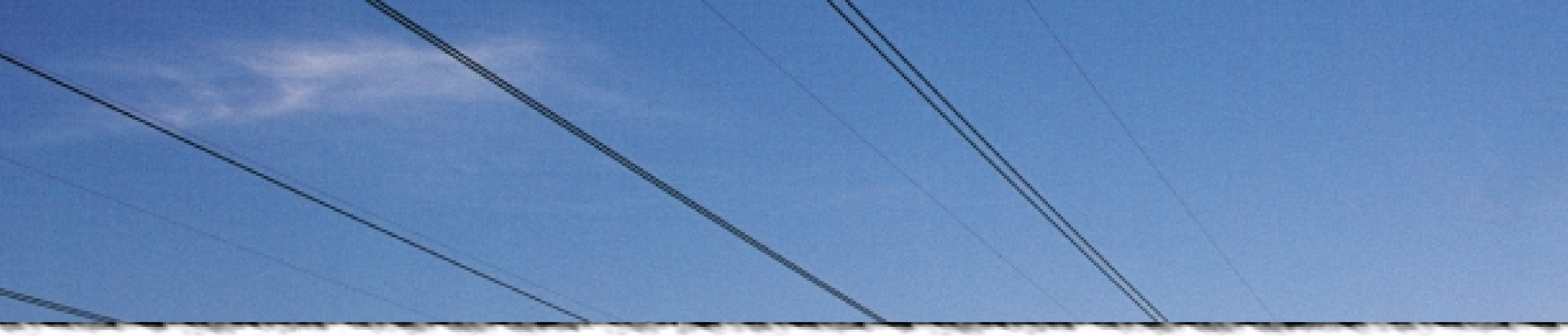
South Carolina's POWERful Resource

SANTEE COOPER 2002 ANNUAL REPORT



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COVER: While Santee Cooper has grown to become South Carolina's POWERful Resource, the real power comes from within. It's our people who are committed to improving the lives of everyone in South Carolina. They accomplish this mission in many ways: by producing electricity at some of the lowest rates in the nation, by excellent customer service and by supporting the communities we serve through personal commitments, environmental stewardship and economic development.

INTRODUCTION

South Carolina's POWERful Resource

Construction of the Santee Cooper project began on April 18, 1939, with the first electricity generated on February 17, 1942, from the Pinopolis Power Plant (renamed Jefferies Hydroelectric Station in 1966), a five-unit hydroelectric facility near Moncks Corner.

Santee Cooper serves over 134,000 retail customers in Berkeley, Georgetown and Horry counties and supplies power to the municipalities of Bamberg and Georgetown, 32 large industries, and one military installation. The state-owned electric and water utility generates the power distributed by the state's 20 electric cooperatives to over 600,000 customers in the state's 46 counties. All total, over 1.6 million South Carolinians receive their power from Santee Cooper.

In addition to its original hydroelectric station, the utility operates four large-scale, coal-fired generating stations in South Carolina: Jefferies Station in Moncks Corner, Cross Station in Cross, Winyah Station in Georgetown, and Grainger Station in Conway; and Rainey Station, a natural gas-fired generating station in Iva.

Santee Cooper also owns and operates combustion turbine-peaking units at Myrtle Beach and Hilton Head Island, and a small hydroelectric unit at the Santee Dam.

The utility has a one-third ownership in the V.C. Summer Nuclear Station near Jenkinsville.

In 2001, Santee Cooper became the first utility in South Carolina to offer green power. Electricity is generated using methane gas from the Horry County Solid Waste Authority.

In October 1994, the Santee Cooper Regional Water System began commercial operation. This signaled a new era in Santee Cooper service to South Carolina. The citizens of Moncks Corner, Goose Creek, and Summerville, and customers of the Berkeley County Water and Sanitation Authority, some 102,000 water users, are the beneficiaries of this stable supply of one of life's most precious commodities.

The mission of Santee Cooper is to be the state's leading resource for improving the quality of life for the people of South Carolina.

To fulfill this mission, Santee Cooper is committed to: being the lowest cost producer and distributor of reliable energy, water and other essential services; providing excellent customer service; maintaining a quality work force through effective employee involvement and training; operating according to the highest ethical standards; protecting our environment; and being a leader in economic development.

ENERGY SALES

DIRECT RETAIL SERVICE

At the end of 2002, Santee Cooper was serving 134,299 residential, commercial and other retail customers located in Berkeley, Georgetown and Horry counties. This was an increase of 3 percent over 2001. Sales to these retail customers were 3,180 gigawatt-hours, up 3 percent from the previous year.

MILITARY & LARGE INDUSTRIAL

Military and large industrial sales were up 5 percent over the previous year.

WHOLESALE

Sales to the Central Electric Power System and Saluda River Electric Cooperative Inc. for their member cooperatives increased 9 percent. Central is Santee Cooper's largest single customer. These electric cooperatives distribute power to more than 600,000 customers across the state.

Santee Cooper also provides electricity to the municipalities of Bamberg and Georgetown. Sales to these municipalities increased 2 percent.

CORPORATE STATISTICS

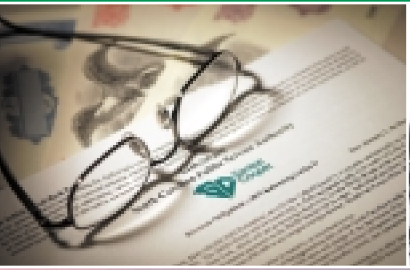
Calendar Year	2002	2001	2000	1999	1998
Total Electric Revenue (in thousands of dollars)	1,029,124	968,795	858,458	810,572	772,157
Interdepartmental Sales of Electricity and Water	(260)	(300)	(260)	(230)	(223)
Total Electric Revenue-Net of Interdepartmental Sales (in thousands of dollars)	1,028,864	968,495	858,196	810,342	771,934
Water System	4,471	4,544	4,219	3,824	3,705
Total Operating Revenues (in thousands of dollars)	1,033,335	973,039	862,415	814,166	775,639
Operating & Maintenance Expenses Charged to Operations (in thousands of dollars)	646,403	627,493	541,515	480,371	446,537
Sums in Lieu of Taxes Charged to Operations[1] (in thousands of dollars)	2,975	2,521	2,490	2,238	2,134
Payments to the State Charged to Reinvested Earnings (in thousands of dollars)	10,315	9,216	8,497	7,883	7,605
Net Operating Revenues Available for Debt Service (in thousands of dollars)	403,678	366,435	354,114	354,830	345,498
Reinvested Earnings (in thousands of dollars)[2]	81,965	66,510	74,817	47,384	39,345
Energy Sales (in gigawatt-hours)	24,121	22,400	22,139	20,285	19,466
Number of Customers (at year end)					
Retail	134,299	130,897	128,513	124,647	119,470
Military and Large Industrial	33	33	35	35	33
Wholesale[3]	4	5	4	4	5
Total	134,336	130,935	128,552	124,686	119,508
Summer Peak Generating Capability, (net megawatts)	4,259	3,520	3,518	3,518	3,518
Generation: Coal	18,628	18,365	19,133	17,061	15,849
Nuclear	2,455	2,243	2,113	2,450	2,723
Hydro	253	220	301	304	571
Natural Gas	2,256	174	—	—	—
Oil	35	54	106	150	125
Landfill Gas	15	4	—	—	—
Total (in gigawatt-hours)	23,642	21,060	21,652	19,965	19,268
Purchases, Net Interchanges, etc. (in gigawatt-hours)	583	1,445	170	408	604
Total Territorial Energy Sales (in gigawatt-hours)	24,225	22,505	21,822	20,373	19,872
Territorial Peak Demand (in megawatts)	4,795	4,803	3,876	3,729	3,523

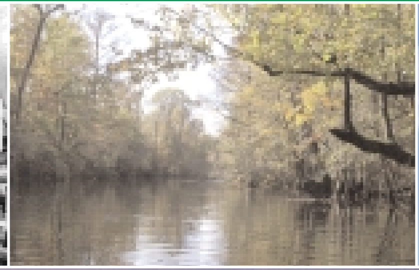
Notes:
(1) Amounts accrued for payment to the municipalities as franchise fees are not included. Amounts totaled $2,648,000 for 2002, $2,679,000 for 2001, $2,544,00 for 2000, $2,427,000 for 1999 and $2,333,000 for 1998.
(2) Prior year amounts have been re-stated to conform to current year presentation.
(3) Does not include non-firm sales to other utilities.

COMPARATIVE HIGHLIGHTS

Calendar Year	2002	2001	% Change
Total Revenues & Income	$1,056,551	$ 999,925	6
Total Expenses & Interest Charges	944,651	896,834	5
Other	(29,935)	(36,581)	(18)
Reinvested Earnings	$ 81,965	$ 66,510	23
Debt Service Coverage	1.79 times	1.79 times	—
Debt/Equity Ratio	70/30	69/31	—

Financial (in thousands of dollars)





Santee Cooper POWER


Electric revenues favorable, new marketing alliances and greater generating capacity for South Carolina's POWERful resource.

We provide power to over 134,000 retail customers in our direct service territory of Berkeley, Georgetown and Horry counties. We generate power for the state's 20 electric cooperatives that have over 600,000 member-customers. We generate and transmit power to 33 military and industrial customers. We have over 1,700 employees working around the state. With facts like that, it's easy to say that Santee Cooper is South Carolina's POWERful Resource. Let's take a look at 2002.

FINANCIAL STABILITY

Santee Cooper was in a strong financial position at the end of 2002. During the year, our electric revenues topped $1 billion for the first time in our history. At a time when much of the electric industry is in turmoil and credit quality and availability are problems for many utilities, Standard & Poor's Rating Services, Moody's Investors Service and Fitch Ratings continue to rate our debt highly.

Santee Cooper sold three bond issues in 2002. In August 2001, the board of directors approved the sale of $108.0 million in revenue bonds to refund $113.4 million in 1992 Series A Bonds. These bonds were delivered in April 2002. The gross savings over the life of the bonds are $15.1 million. In February, the board approved the sale of $281.1 million of tax-exempt bonds and $91.8 million of taxable bonds, for a total of $372.9 million of revenue bonds. The financing will help pay for a portion of Cross Unit 3, Rainey Units 3, 4, and 5, and environmental controls.

And, in October, the board approved the issue of $440.8 million revenue bonds that refunded $345.1 million in 1993 Series A and B Bonds and $132.1 million in 1993 Series C Bonds. The gross savings over the life of the bonds are $82 million. The bonds were issued at an all in true interest rate of 4.17 percent. The yields ranged from 1.45 percent in 2003 to 4.59 percent in the 2021 maturities. These yields were in the neighborhood of a 40-year low in the tax-exempt market.

NEW AUDITORS

After a competitive bidding process, Santee Cooper's Board of Directors recommended in May that Deloitte & Touche become the utility's new auditors for the next four years. The recommendation was forwarded to our State Advisory Board which, by law, designates who will audit Santee Cooper's books. The advisory board approved the recommendation effective July 1.

60-YEAR ANNIVERSARY

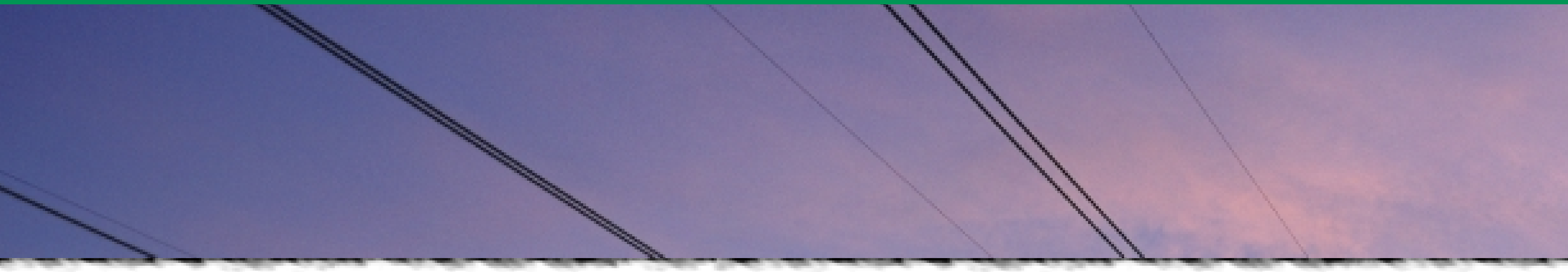
This year, Santee Cooper celebrated its 60th year of generating, transmitting and distributing power for South Carolinians. Since Feb. 17, 1942, Santee Cooper has grown to become the nation's third largest publicly-owned electric utility, based on generation, among state, municipal and district systems, according to the American Public Power Association (APPA).

RESTRUCTURING

South Carolina, like nearly all of the other states in the Southeast, is not pursuing electric industry restructuring at this time. The generally low rates and high reliability in the Southeast, along with the profound problems that have been experienced by many states that have implemented retail choice, accounts for the reluctance of states in the Southeast to abandon the traditional regulatory model.

In July 2002, the Federal Energy Regulatory Commission (FERC) issued a notice of proposed rulemaking (NOPR) on Standard Market Design (SMD) with the goal of creating a more robust wholesale energy market throughout the United States. If enacted in its proposed form, this comprehensive proposal would shift substantial regulatory responsibility that has historically been within the province of the states to the federal government.

Combustion turbines at Rainey Generating Station in Anderson County generate 294 megawatts. (smaller images left to right) Santee Cooper's debt is rated highly among the rating agencies such as Standard & Poor's Rating Services, Moody's Investors Service and Fitch Ratings. • Work began on the Santee Cooper Project in 1939. Here, several of the employees who worked on the project stand in front of one of the hydro units installed at Jefferies Hydro Station. Santee Cooper first generated electricity on Feb. 17, 1942. • In 2002, Santee Cooper signed a conservation easement with the Lord Berkeley Conservation Trust protecting 2,600 acres of forested lands in Berkeley County. • Santee Cooper is the source of power for over 600,000 South Carolinians.



While the SMD NOPR would not be directly applicable to public power systems such as Santee Cooper, if enacted in its present form, it would significantly affect Santee Cooper since it participates in the wholesale energy markets and has relationships with investor-owned utilities, who will be directly subject to these regulations. The SMD NOPR has been met with considerable opposition from all types of stakeholders, as well as state regulators and members of Congress. Whether the SMD NOPR will be promulgated as a Final Rule is unknown at this time.

In 2002, Santee Cooper, along with nine other transmission owners in our region, was actively involved in the SeTrans Development Process. The Regional Transmission Organization (RTO) concept being explored in this process would involve employing an independent entity, which would own no generation or transmission assets in the region, to operate the combined transmission assets of the participating transmission owners. The participating transmission owners would continue to own their respective transmission assets. Santee Cooper entered into this process with the hope of finding a structure that would enhance the wholesale energy market in the Southeast while providing tangible net benefits to customers within the Santee Cooper system. The outcome of this process, or Santee Cooper's participation in any RTO that this process might produce, is unknown at this time.

STRATEGIC ALLIANCES

Santee Cooper was instrumental in the formation of The Energy Authority (TEA), a five-year-old nonprofit powermarketing corporation providing wholesale marketing services to 12 public power utility members and partners, including Santee Cooper.

During the year, TEA marketed 1.5 million megawatt-hours for Santee Cooper. TEA also purchased approximately 20,337,000 mmbtu of natural gas on behalf of Santee Cooper.

In an effort to help public power utilities become more competitive, Colectric Partners Inc., a membership-based nonprofit group of public utility companies that includes Santee Cooper, was formed in 2001. This year, they announced they were officially open for business in Jacksonville, Fla. With the aid of this group, America's public power industry can become more competitive by providing innovative technology systems and resources to maximize the group's collective physical, financial and intellectual assets. It is located in the same building as TEA. Colectric Partners pool their best resources in order to gain increased economies of scale, create better market leverage and have access to state-of-the-art best practices. The resources provided by Colectric Partners will address every aspect of public utility business operations including planning, purchasing, energy transport and distribution.

OUTREACH

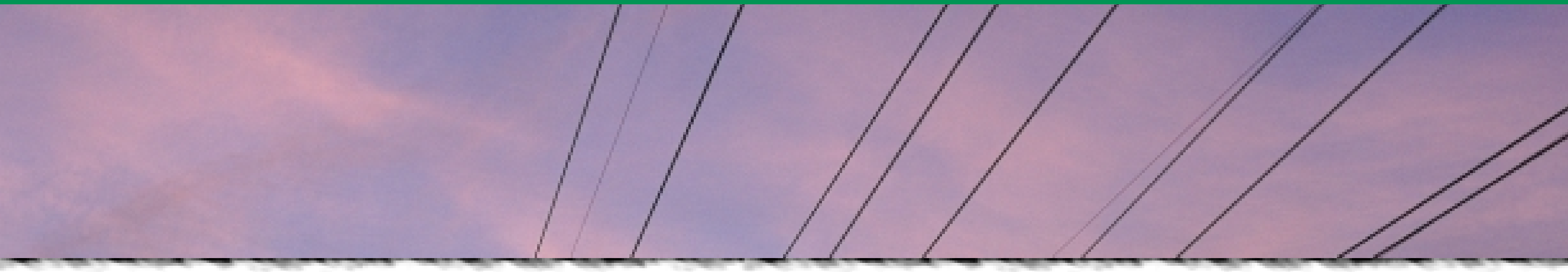
Santee Cooper was created "for the benefit of all the people of the state, for the improvement of their health and welfare and material prosperity." Since quality of life is part of our mission, Santee Cooper takes its outreach efforts seriously. This commitment to our communities is demonstrated by our employees' leadership roles. Information about these outreach efforts is detailed in the Education and Outreach section found on pages 23-25 of this report.

One example of this outreach of which we are very proud is the effort Santee Cooper employees put forth on Sept. 11. Over 120 Santee Cooper employees volunteered to help with Trident United Way's 3rd annual Day of Caring. These employees worked on over a dozen projects in Berkeley County doing things like rebuilding a roof for an elderly woman, hosting a luau for handicapped adults, and cleaning historical markers located across the county.

Horry County's United Way also held a Day of Caring on Sept. 12. Several employees also volunteered at 15 United Way agencies that day.

FRANCHISE AGREEMENTS

Santee Cooper is the provider of electricity in 10 cities or towns in our direct service territory. In 2002, North Myrtle Beach, Loris, Conway and Moncks Corner signed new franchise agreements. Included in those agreements are provisions that will allow overhead distribution power lines to be placed underground in specific areas.



ENVIRONMENTAL EXCELLENCE

Environmental stewardship is a priority for Santee Cooper. We continue to enhance the performance of our power plants. In June 2001, the board of directors committed $280 million to provide additional environmental controls on our Cross and Winyah generating stations. The major part of Santee Cooper's coal-fired generation is already scrubbed for sulfur dioxide removal, an expenditure many other utilities will be required to make in order to comply with the Clean Air Act.

In addition, Santee Cooper executed a permanent non-development conservation easement with the Lord Berkeley Conservation Trust.

This 2,600-acre easement of forested lands is adjacent to a 500-acre easement established by Santee Cooper five years ago on the Wadboo Tract in Berkeley County. The easement will protect a bottomland forest, unique limestone bluffs, eight miles of a freshwater creek and a Revolutionary War battle site. With this easement, Santee Cooper has guaranteed future generations an unspoiled forested area within a few minutes of Moncks Corner.

We are also very proud of the success we've had with our Green Power program. This began in September 2001 and has had continued success. Look for more information about this program on pages 15 and 16 of this report.

EXPANSIONS AT CROSS AND RAINEY GENERATING STATIONS

The first four units at the John S. Rainey Generating Station in Anderson County went into commercial operation in 2002. The 500-MW class combined cycle portion of the $397 million station officially began operation on Jan. 1, followed by the first 150-MW class simple-cycle unit on March 1. The second 150-MW simple-cycle unit began commercial operation on May 1. This means that 800 MW were added to Santee Cooper's generating capacity in 2002. Plans are underway to add three 80-MW class simple-cycle units at a cost of $120 million. These units should be commercial in January 2004, bringing the total generating capability at Rainey Station to 1,040 MW. This is enough power to light up approximately 1 million average-sized homes.

Plans are also underway to increase generating capability at Cross Generating Station in Berkeley County. In 2001, the board of directors approved the addition of a third 580-MW coal-fired unit at Cross Station. Estimated cost for this unit, which should be commercial in January 2007, is $675 million.

LOOKING FORWARD

2002 was a very good year for Santee Cooper. Customer satisfaction was high, power rates were reasonable, and construction is on target to meet the growing demands of our customers. We look forward to 2003. Our optimism is a tribute to our superior, diverse and dedicated workforce who provide the skills and services that have made this utility what it is today and will successfully move Santee Cooper into the future.

All of this, along with the other information you'll find in the following pages of this report, is evidence that we are South Carolina's most POWERful Resource.

John H. Tiencken Jr.
President and CEO

H. Donald McElveen
Chairman, Board of Directors



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Santee Cooper

For 60 years, Santee Cooper has been generating power and creating jobs for South Carolina.

On Feb. 17, Santee Cooper observed it's 60th anniversary of providing dependable, low-cost power. As South Carolina's state-owned electric and water utility, Santee Cooper's role as a valuable resource means it must always be able to respond to the needs of its customers.

Based on generation, Santee Cooper regained its ranking in 2002 as the nation's third largest publicly owned electric utility of its type for net generation in megawatt hours according to statistics published by the American Public Power Association.

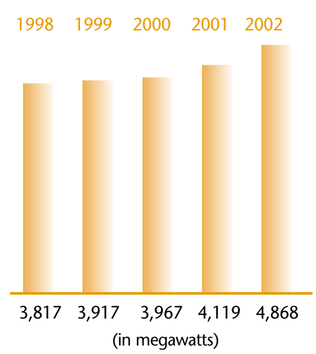
In APPA's "2002 Annual Directory and Statistical Report," Santee Cooper eclipsed the San Antonio Public Service Board. Perennial number one is the New York Power Authority, followed by the Phoenix, Ariz.-based Salt River Project.

As the direct and indirect source of power for 1.6 million of the state's 4 million people, meeting that need for electricity eventually requires the construction of new generation. Santee Cooper has always met that challenge, using new and innovative ways to make power.

The Rainey Generating Station, Santee Cooper's first venture using natural gas as a fuel for intermediate-load generation, officially began commercial operation of its 500-megawatt combined-cycle unit on New Year's Day. Two 150-megawatt simple-cycle units went online in March and May.

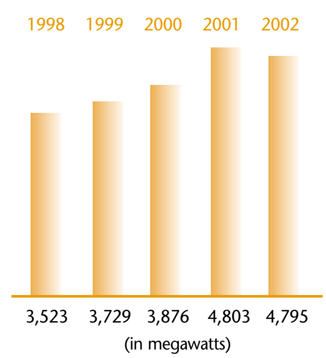
Located near the Starr and Iva communities in western Anderson County, the 800-megawatt station also represents Santee Cooper's first generation presence in the Upstate.

CAPACITY



Includes purchased power.

TERRITORIAL PEAK DEMAND



Meter Installer/Collector Lisa Rogers displays one of the meters she often installs for a residence in Santee Cooper's direct service territory.

(left to right) Southern Area Transmission crews inspect transmission rights of way. • Line Technician Curlin Simmons prepares for a day's work. • In 2002, Santee Cooper's retail customers totaled over 134,000. • Customer Services Representative Loretta Calhoun shows just how easy it is to sign up for e-Billing.

The $397 million project will be accentuated by the installation of three additional 80-MW simple-cycle gas units, approved by the board in December 2001. Design and site preparation are underway. The commercial operation date for the $120 million addition is projected to be January 2004.

Santee Cooper received a Job Creator Award for the 49 full- and part-time jobs created at Rainey Station. The S.C. Department of Education nominated Santee Cooper for one of the 45 awards given by the program that is jointly sponsored by the S.C. Employment Security Commission and 19 other state agencies.

Design work and site preparation began for the third coal-fired unit at the Cross Generating Station in Berkeley County. The commercial operation date for the $675 million project is January 2007.

Rainey Station claimed the top honor in the 18th annual Generation Goals program. Rainey won with strong performances in its station operation and maintenance cost, the net heat rate category, equivalent availability and safety.

Transmission system availability was 99.9973 percent with station availability at 94.02 percent. These percentages continue to exceed national averages.

Santee Cooper continues making strides to reduce air emissions. In October, work was completed on installing new coal burners on Grainger Station Unit 2 that will reduce nitrogen oxide emissions at the Grainger Station.

Alternate uses were found for 300,000 tons of coal ash and 170,000 tons of synthetic gypsum produced by generating stations. Current combustion products utilization continues to be over 45 percent, besting the national average of 32 percent.

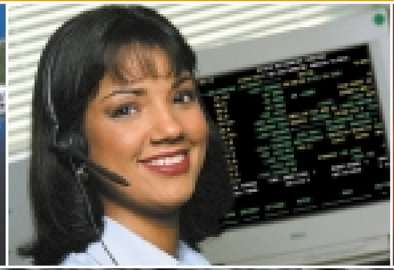
Giant Cement signed an agreement to purchase fly ash and gypsum from Cross 2 and agreed to purchase this material from Cross 3 when it begins commercial operation in 2007. This will eliminate the need to store or dispose of fly ash.

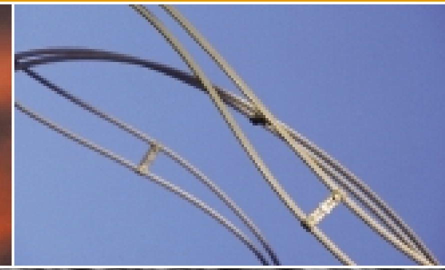
Three area cement producers purchase combustion products from Santee Cooper stations. Revenue was nearly $2 million, a $400,000 increase over 2001.

In September, The SEFA Group (formerly Southeastern Fly Ash Co.) began commercial operation of its $13.5 million fly ash facility constructed at Winyah Station. The Winyah Carbon Burn-Out Plant converts up to 200,000 tons of fly ash per year from the four units at Winyah and Grainger Stations' two units.

Ash collected at Grainger is transported to Winyah, stored in silos and then fed into the carbon-recycling unit. This former waste material is converted into a prime ingredient for building and highway construction. Santee Cooper leases nearly three acres at Winyah to The SEFA Group. The project created 22 jobs.

Synthetic fuel or "synfuel" continues to show savings for Santee Cooper. Approximately 1.21 million tons of synthetic fuel were consumed



(left to right) Jefferies Hydro Station, located in Moncks Corner, generates 128 MW of electricity. • Customer Services Representative Michelle Snelling can assist Spanish-speaking customers applying for service by using applications printed in Spanish. • Santee Cooper offers a wide selection of outdoor lights for most lighting purposes. • Santee Cooper's transmission lines now total 4,424 miles.

at Winyah Station, and an additional 1.18 million tons were consumed at Cross Station. O&M savings were around $7.6 million at Winyah and $6 million at Cross.

When it comes to customer service, Santee Cooper consistently gets exceptional marks. The annual residential customer satisfaction survey indicated Santee Cooper has a 99.7 percent overall residential customer satisfaction rating. On the commercial side, that rating is 98.5 percent.

Utility customers have higher expectations in the digital age. One example of meeting these expectations is electronic billing or e-billing. Customers can choose to pay their bills online, using the Internet. They can select a due date within a certain time period as well as check their balance, energy usage and make service requests.

Online energy audits are available to residential and small-business customers. Offering such services reinforces Santee Cooper's "easy to do business with" philosophy.

2002 marked the 20th anniversary of the Good Cents Loan Program. Over $11 million has been loaned to Santee Cooper residential customers, assisting them in making energy conservation improvements to their homes.

Another example of good customer service is the upgrading of the Interactive Voice Response (IVR) system. It was improved to handle 6,000 incoming calls per hour, doubling the power outage call-handling capacity.

No one likes for his or her power to go off, and no utility on Earth can "storm proof" a system. But for some commercial customers, the new Standby Generator program is an attractive solution. Businesses may lease a generator and pay a monthly fee to Santee Cooper that covers all normal operating and maintenance costs, allowing customers to concentrate on their core business. Units range from 35 kilowatts up to 2,000. By signing up with Santee Cooper, it's a "turnkey" service for the customer.

Spanish-speaking customers can now apply for service using applications printed in Spanish. They can also receive information in Spanish through the IVR system.

Outdoor lighting options for residential and commercial customers increased with the introduction of the Heritage Light Collection. These fixtures not only offer increased security and peace of mind, they are attractive additions to a home or business.

The number of residential and commercial customers increased by 3 percent. As of Dec. 31, there were 134,299 retail customers in Horry, Georgetown and Berkeley counties. Santee Cooper has 2,222 miles of distribution lines in its system.

(left to right) Santee Cooper's transmission crews work daily on the over 4,400 miles of transmission lines. • A compact fluorescent light bulb using only 15 watts will produce as much light as a 75-watt incandescent light bulb. • Standby generators are now available to Santee Cooper's commercial customers. • A $4.7 million seismic remediation project on the Pinopolis East Dam and East Dam Extension began in 2002.

The Santee Cooper Project, including Jefferies Hydro Generating Station, the Pinopolis Lock, Lakes Marion and Moultrie, the land surrounding the lakes, the dams and dikes and all of the multiple uses associated with this unique and complex project, are being reviewed as part of the FERC's relicensing effort. Hydro projects are licensed through the FERC for periods of 30 to 50 years. Santee Cooper's existing license will expire in March 2006. Efforts have been underway for approximately two years to relicense the project.

The relicensing process is a very long and complex process that involves collaboration with many stakeholders to ensure a proper balance of the resources associated with this project. Stakeholders include Santee Cooper, the FERC, numerous federal, state and local governmental agencies and non-governmental organizations such as the Nature Conservancy, the Sierra Club, the Wildlife Federation and the S.C. Coastal Conservation League, to name a few.

Presently, Santee Cooper is engaged in the second year of field studies that evaluate and review issues such as downstream project impact, fish passage, unique biological and wildlife habitat, water quality, historical project area significance, shoreline management plans and recreational opportunities.

Santee Cooper plans to submit the final draft application in March 2004 pursuant to the FERC regulation requirements.

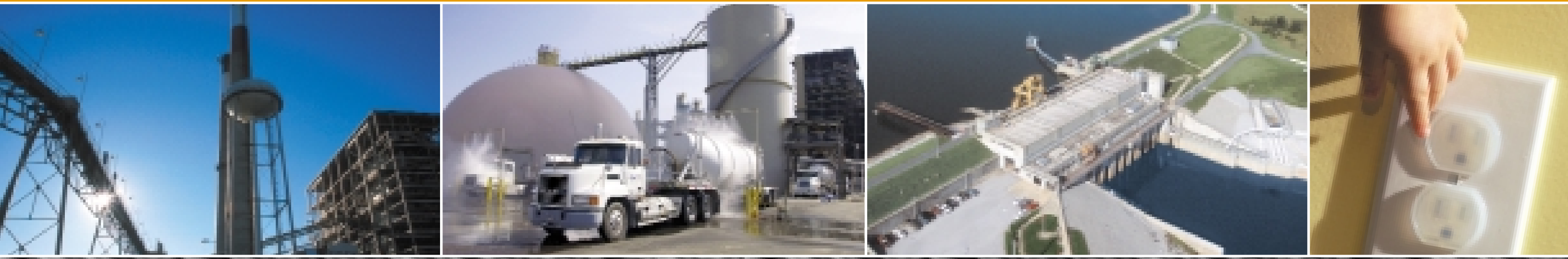
Dam safety is always of concern, and to meet regulations imposed by the FERC, a $4.7 million seismic remediation project began on the Pinopolis East Dam and East Dam Extension. Nearly 3,500 stone columns were installed at the toe of the existing dam, beneath the surface. They will be covered with a berm consisting of 312,000 cubic yards of material.

The berm work will be completed next fall. The project is designed to protect the dam in the event of an earthquake similar in intensity to the one that struck the Charleston area in 1886.

While earthquakes and hurricanes stayed away from Santee Cooper's service territory in 2002, an October tornado struck Georgetown. It severed service to an industrial customer, Georgetown Steel, destroying the poles that feed power into the plant.

Santee Cooper personnel immediately went to work, restoring service within 24 hours. Restoration assistance was also provided to Georgetown's municipal electric utility, one of Santee Cooper's two municipal customers. About 2,500 of the city's 5,600 customers lost power due to the tornado.

During 2002, Santee Cooper continued to provide power to all 20 of South Carolina's electric cooperatives. The five cooperatives that are members of Saluda River Electric Cooperative, Inc. initially began receiving power from Santee Cooper



(left to right) Grainger Station in Conway, S.C. has the capacity to generate 170 MW of electricity. • Fly ash from Winyah Station is sold to SEFA for the cement industry. • The U.S. Army Corps of Engineers and Santee Cooper completed an upgrade to the Corps' St. Stephen Powerhouse. • Always protect children from electric outlets.

on January 1, 2001, as part of a long-term power supply agreement between Saluda and Santee Cooper. This agreement was terminated in October 2001. At that time, Santee Cooper began providing Saluda's power requirements to Central Electric Power Cooperative, Inc. under the Santee Cooper–Central Power System Coordination and Integration Agreement, known as the Coordination Agreement, the agreement under which the remaining 15 electric cooperatives in the state are being served.

On November 22, 2002, Santee Cooper, Central and Saluda successfully reached agreements that resolve all outstanding issues concerning termination of the previous agreement between Saluda and Santee Cooper and the integration of Saluda's loads and resources under the Coordination Agreement. Approval of the agreements by the Rural Utilities Services has been received.

Customer Billing, with the support of MIS, completed a new Industrial/Municipal Billing program that was used to issue bills beginning Dec. 1. The new program will greatly simplify billing Santee Cooper's industrial customers as well as giving Santee Cooper the ability to electronically send customers their bills. In 2003, Customer Billing and MIS plan to implement a new Central Billing Program that will bill Central and Saluda together under the Central Coordination Agreement.

The U.S. Army Corps of Engineers and Santee Cooper completed a project whereby Santee Cooper upgraded the hydroelectric governors at the Corps' St. Stephen Powerhouse. Located on the Rediversion Canal between Lake Moultrie and the Santee River, the three-unit, 84-MW facility went online in 1985. Santee Cooper receives the energy produced by the plant and controls it remotely from the Energy Control Center in Moncks Corner.

Santee Cooper's 2.57 Safety Incident Rate earned awards from the American Public Power Association, the National Safety Council, the S.C. Occupational Safety Council and the S.C. Chamber of Commerce.

2002 saw the implementation of Occupational Health & Safety Administration's new 300-log requirements, as well as centralization of OSHA record-keeping in the Moncks Corner headquarters. Additionally, a new pilot, behavior-based safety program, SafeStart, was implemented in the Central and Southern Area Transmission groups.

With 37 years of eligibility in the APPA's safety contest, Santee Cooper has earned an award 33 times.

One example of Santee Cooper's successful workforce diversity practices is achievement of Affirmative Action Plan goals. For the third consecutive year, 100 percent of the affirmative action goals were attained as reported by the S.C. State Human Affairs Commission. In the 2003 Annual Report to the General Assembly, the commission ranked Santee Cooper number one in overall goal attainment among 78 state agencies for the 2002 year.






PROPERTY

Green Power: Just one of the environmental milestones achieved in 2002.

The Green Power program made significant strides in 2002. The program observed its one-year anniversary in September. The Horry County Landfill Gas Station near Conway produces power using methane gas as fuel. The two 1-MW V-20 engines make electricity using this renewable resource, thus the term "green power." A companion 1-MW unit has been ordered and will be placed into service in early 2003.

Santee Cooper actively promotes the Green Power program. Residential and commercial customers have responded, exceeding the program's first-year expectations.

Green Power is marketed in 100-kilowatt-hour blocks for residential customers and 200-kWh blocks for commercial customers. A $3 premium is charged for each 100-kWh block.

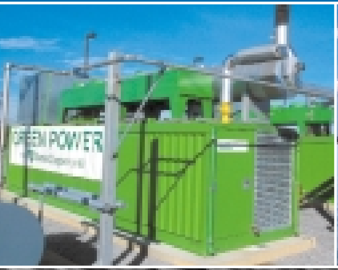
There have been 6,517 100-kWh blocks purchased by residential and commercial customers. What's more, 159 businesses have signed on as Green Power Partners in Horry, Georgetown and Berkeley counties.

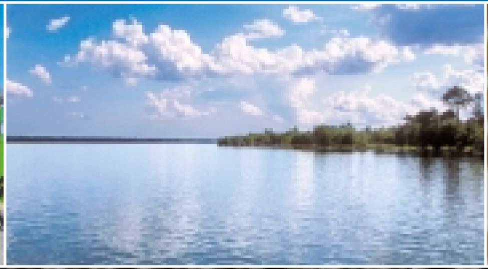
Shortly after the program began, Myrtle Beach became the first "Green Power City" in South Carolina. North Myrtle Beach, Conway, Loris, Moncks Corner, St. Stephen and Briarcliffe Acres are also Green Power cities.

Santee Cooper's Green Power program is now nationally accredited. The December announcement by the San Francisco, Calif.-based Center for Resource Solutions (CRS), which accredits Green Power programs, was a prestigious step forward in the development of this renewable energy source in South Carolina.

CRS accreditation is a lengthy and involved process achieved only by meeting or exceeding a series of stringent guidelines. Environmental, consumer and clean energy groups all collaborated through CRS to establish the accreditation criteria. The national criteria were then reviewed through a statewide process involving consumer and environmental protection organizations.

Santee Cooper has made environmental stewardship a priority. Pictured here, Santee Cooper's José Stephens and Joe Nelson stand in a pine forest located in Berkeley County, S.C.





(left to right) Santee Cooper's Green Power program has about 1,000 residential customers and over 150 commercial customers. Santee Cooper's Horry County Landfill Gas Station near Conway, S.C. generates 2 MW of electricity. Plans are in place to increase the capacity by 2 MW in 2003. • There are about 150,000 acres in Lakes Marion and Moultrie. • Each year, Santee Cooper sponsors an Environmental Essay Contest for South Carolina's seventh graders. The 2002 winner was Michelle Greene from Six Mile, S.C. who wrote an essay about Green Power. • The S.C. Environmental Symposium is held each year with Santee Cooper serving as a sponsor. In 2002, Environmentalist Rudy Mancke was a guest speaker.

The S.C. Coastal Conservation League, the State Energy Office and the state chapter of the Sierra Club worked with Santee Cooper and approved the state accreditation criteria. This strategic collaborative effort ensures high-quality green energy programs.

Santee Cooper, Horry Electric Cooperative and Santee Electric Cooperative are the only electric utilities in South Carolina offering renewable power to their customers. Many more of Santee Cooper's cooperative and municipal wholesale customers have shown an interest in Green Power. They plan to offer this program to their customers in 2003. All premiums collected by Santee Cooper go toward funding future renewable energy projects.

Lakes Marion and Moultrie, commonly called the Santee Cooper Lakes, have always been havens for flora and fauna. Improving and enhancing this resource and adjacent project properties has been a Santee Cooper tradition since the lakes were completed in 1942.

In May, Santee Cooper set aside an additional 2,600 acres of its Wadboo Creek property east of Moncks Corner in a permanent nondevelopment conservation easement.

The Wadboo tract is being protected by placing the land under an agreement between Santee Cooper and the Lord Berkeley Conservation Trust. The 11-year-old trust has an additional 500 acres along the Tailrace Canal and Cooper River, adjacent to the Wadboo tract, also protected from development as a result of a conservation easement executed in 1997.

Santee Cooper completed construction of the eight-mile Wadboo Creek Canoe Trail that begins where the Palmetto Trail crosses the Wadboo Creek Swamp in Berkeley County. This trail meanders through a pristine black water swamp that takes the paddler back in time.

The commissioners of the Berkeley Soil and Water Conservation District selected Santee Cooper as the recipient of the 2002 H.H. Harvey Jr. Conservation Award, citing the Wadboo easement.

(left to right) The GOFER program has helped Upstate automaker BMW further its commitment to pollution prevention and continual improvement, according to BMW's senior Environmental Engineer Maresa Williamson. • Grass carp are used to help control nuisance aquatic weeds in the Santee Cooper Lakes. • President and Chief Executive Officer John Tiencken participated in a radio talk show broadcast live from the 2002 Environmental Symposium. • Canoeing the dark waters of the Wadboo Creek is a pastime enjoyed by many.

The Give Oil For Energy Recovery, or GOFER, program continues to make significant strides. The state's largest used motor oil collection program saw a 6.1 percent increase in do-it-yourself (DIY) collections with a total of over 916,000 gallons. New customers receiving services increased to 290, a jump of 5.4 percent.

The S.C. Department of Health and Environmental Control's Office of Solid Waste Reduction and Recycling presented the GOFER program an Outstanding Achievement Award in January. This special recognition is a crown jewel among the nearly dozen environmental awards GOFER has garnered in its 12-year history. Santee Cooper collects used oil from 1,802 sites statewide including 560 DIY sites and 1,242 commercial collection sites. GOFER oil is safely converted into electric power.

Santee Cooper completed the engineering-design phase of the 480-acre Hickory Top Waterfowl Impoundment. The area runs along the northern shore of Lake Marion. This federal-state project stresses year-round wetlands management.

The area is within the boundaries of the Santee Cooper Lakes Task Force of the Atlantic Coast Joint Venture of the North American Waterfowl Management Plan and the South Atlantic Migratory Bird Initiative.

"Waterways: The Legacy and Future of Policy, Planning and Use of Water in South Carolina," was the topic of this year's 11th S.C. Environmental Symposium, held Nov. 6-8 in Myrtle Beach.

It was the 30th anniversary of the federal Clean Water Act. Gov. Jim Hodges declared 2002 as "The Year of Clean Water" in the Palmetto State. The symposium is primarily sponsored by Santee Cooper and 16 other governmental agencies, environmental groups and institutions of higher learning. The event drew nearly 300 people, setting a new record.





LORIS
COMMERCE
CENTER


Quality work force key to customer's expansion decision

In June 2002, Giant Cement, one of Santee Cooper's 32 industrial customers, announced a $100 million modernization effort to its Harleyville, S.C. facility. It is located on 1,800 acres where the 300-acre quarry provides the raw material to make cement.

This modernization project entails replacing four raw mills and four wet-process kilns with a brand-new raw mill and a new preheater, precalciner kiln with a production capacity of 3,000 tons per day. A new finish mill is the final touch on the extensive makeover.

According to Giant Cement's management, the limestone reserves in the area, along with the quality of the work force, were key in their decision to make the expansion.

The plant's modernization, while producing roughly 25 percent more product, will mean an eventual 62 percent reduction in nitrogen oxide emissions and a 60 percent cut in sulfur dioxide emissions.

As mentioned on page 10 of this report, Giant Cement is a user of Santee Cooper's fly ash and gypsum that are used in their manufacturing process.

Through the Santee Cooper Regional Water System, Santee Cooper's lakes are the source of water to some 102,000 water users in the South Carolina Lowcountry. A clean, abundant supply of water is often a need for businesses and industries looking to locate in the area.

(left to right) The Loris Commerce Center is a 180-acre park available to companies who may be interested in locating in the Grand Strand area. • A spent anode is removed from one of the electrolytic cells, part of an around-the-clock process at Alcoa. • Giant Cement uses fly ash from Santee Cooper's generating stations to make cement that typically ends up in highways, bridges and sidewalks. • Nucor Steel is one of Santee Cooper's 32 industrial customers.

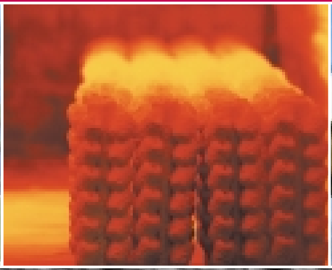
The 1,000-acre Mt. Holly Commerce Park, located between Moncks Corner and Goose Creek, is a public-private partnership between Santee Cooper, Berkeley County government and Alcoa Mount Holly. Parker Hannifin was the first tenant at Mount Holly, opening its facility in 2000.

Santee Cooper's mission is to be the state's leading resource for improving the quality of life for the people of South Carolina. Among the activities to fulfill this mission, Santee Cooper is committed to being a leader in economic development; therefore, Santee Cooper has always played an active role in the state's economic development efforts. An example of this was the formation of the PEDC (PEDC) in 1988. This signaled the beginning of a new era in coordinated efforts of the two organizations to focus on fulfilling this part of our mission.

The Columbia-based PEDC promotes economic development in the service territories of Santee Cooper and the areas served by the state's 20 electric cooperatives in all of the state's 46 counties. The 2002 report card includes:

- $87 million in new investment
- 793 new direct jobs
- 15 MWs of new electrical load

Santee Cooper works with the Charleston Regional Development Alliance, the Horry County-based PARTNERS Economic Development Corp., and the Georgetown Economic Development Alliance to enhance economic development activities in Berkeley, Georgetown and Horry counties, Santee Cooper's direct service territory.

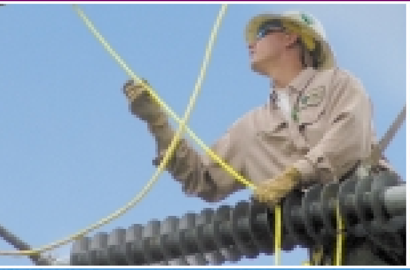
(left to right) The Santee Dam is 7.8 miles long and the spillway is 3,400 feet long. The dam was constructed to hold back the waters of Lake Marion. • Casting molds await removal from a preheat furnace at Conbraco located in Conway, S.C. • The Mt. Holly Commerce Center, a Class A industrial park, is located on U.S. Highway 52 between Moncks Corner and Goose Creek. • Ingots from Alcoa are ready to be loaded on rail cars. Alcoa is Santee Cooper's largest industrial customer.

The proposed Lake Marion Regional Water System continued to make significant strides. In December 1994, Orangeburg County Council asked that Santee Cooper aid in facilitating the development of the system.

The Lake Marion Regional Water Agency was formed several years later. The self-supporting system could provide wholesale potable water to portions of Calhoun, Clarendon, Colleton, Dorchester, Orangeburg and Sumter counties and up to six municipalities initially.

Santee Cooper will own and operate the system. A 25-acre water treatment plant site on Lake Marion in Orangeburg County was acquired in 2002. Design, transmission pipeline routes and right of way acquisition are underway. Wholesale water-purchase agreements between the agency and Santee Cooper and between the customers and the agency are currently being negotiated.

The U.S. Army Corps of Engineers will manage the system's construction. It is anticipated the system's initial phase will be 8 million gallons per day (MGD), expandable to 12 MGD. Approximately $32.5 million in federal, state and local funding has been acquired.




TRIDENT
United Way


Santee Cooper
P.H.A.D. TEAM

Powering minds through hands-on activities.

Santee Cooper has been a "good corporate neighbor" decades before the term was fashionable. It's just been a way of doing business for generations.

No better example can be found than the Energy Educator's Seminar, held each summer in Pinopolis, S.C. at Santee Cooper's Wampee Training and Conference Center. Now in its 14th year, four four-day seminars were held this year for teachers, principals and administrators with 89 taking part in the program.

The educators attend lectures led by specialists, take part in hands-on learning activities and field trips and end each day with classroom-unit planning sessions. Santee Cooper employees address topics such as power generation, transmission, distribution, electrical safety, water quality, utility economics, energy efficient housing and environmental issues. Teachers successfully completing the course qualify for recertification credit.

Approximately 3,000 essays from seventh-graders statewide were judged in the 12th annual Santee Cooper Environmental Essay Contest. Designed to stimulate interest in the environment, this year's theme was "Green Power."

There were 13 winners in all with the statewide winner receiving a $500 U.S. Savings Bond, a globe trophy and a certificate.

Santee Cooper's annual Outdoor Adventure Camp concluded a successful 11-year outreach program at the Robert M. Cooper 4-H Leadership Center, also known as Camp Bob Cooper. Located on Lake Marion between Manning and Summerton, this summertime camp for boys and girls age 8 to 14 featured pontoon boat rides from the camp to the Jefferies Hydroelectric Station. Campers got a Powerhouse Tour and a visit to the Old Santee Canal Park.

Safety is an important part of work at Santee Cooper. Here, Training Instructors Claud Wessinger (foreground) and Bill Wilcox show how to be safe around electric lines with the use of Santee Cooper's Power Hazard Awareness Demonstration unit. In 2002, almost 80 demonstrations were made at schools and for community organizations.


(left to right) CHOICES is an interactive program that increases students' career and life opportunities. This program is offered at 13 middle schools that are business-education partners with Santee Cooper. • The Old Santee Canal Park features almost four miles of boardwalk, an Interpretive Center, Stony Landing Plantation House, the Berkeley Museum, picnic shelter and Little David Children's Garden. • In the fall of 2002, almost 150 employees volunteered during the Trident and Horry County United Way Days of Caring. Here, Senior Financial Associate Myra Blanding-Rose volunteers at the Sept. 11 Trident United Way event. • Director of Educational Programs Barbara Allen leads a session at one of Santee Cooper's Energy Educator's Seminars held each summer.

The four-day camp included the Santee Cooper Environmental Education Day, when Santee Cooper personnel gave presentations on water quality, aquaculture, insects and pollution prevention. Nearly 1,500 youngsters from throughout South Carolina have attended the adventure camp since its beginning in 1991. Santee Cooper will continue its relationship with Camp Bob Cooper, part of the Clemson Extension Service.

Santee Cooper encourages employees to get involved in the community. Outreach activities are successfully accommodated within work schedules. Examples include Junior Achievement, the CHOICES program, Lunch Buddies, Math Buddies and Read With a Child.

No greater example of employee involvement can be found than in the annual Relay for Life fund-raisers to benefit the American Cancer Society. Santee Cooper fielded three teams, netting $48,588. The Moncks Corner Relay for Life effort is the best in the state. The 5th annual relay garnered $197,000.

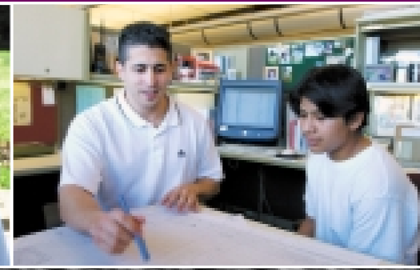
On Sept. 11, the United Way's "Day of Caring" found 124 employees involved in cleanup, repair and various activities in Berkeley, Charleston and Dorchester counties. Horry County employees turned out for their day on Sept. 12, with Santee Cooper volunteers assisting 15 agencies.

Blood drives at Santee Cooper greatly assist the American Red Cross in its continuing mission to successfully collect "the gift of life." Twenty blood drives were held at Santee Cooper locations with 680 pints collected.

The American Heart Association Heart Walk, Juvenile Diabetes Walk to Cure, March of Dimes, Buck-a-Cup and Beach Sweep/River Sweep are also the beneficiaries of a big-hearted work force this year.

Santee Cooper is an outstanding place to work, particularly for employees with children. This was affirmed in January when Santee Cooper earned the S.C. Family Friendly Workplace Award from the Office of the Governor and the State Chamber of Commerce.



(left to right) Santee Cooper's line technicians participate in the company's annual lineworkers' rodeo. Winners from this competition headed to the APPA rodeo and walked away with two awards. • Sherry Gooding shows the syringe used as a guide to mark progress in Santee Cooper's American Red Cross blood drives. • Technical Associate Jill Mason works with children at the annual Kids Who Care Backyard NatureScope held at the Old Santee Canal Park. • Lunch Buddies is a program where employees serve as mentors for children at Berkeley Middle School. Here, Al Lopez works with Alvaro Hernadez showing him some of the skills needed to become an engineer.

Santee Cooper was recognized for:

- Providing flexible schedules and a competitive employee and family sick leave policy.
- Providing training opportunities for employees in areas such as adult literacy and infant/child cardiopulmonary resuscitation (CPR).
- Providing scholarships for up to four deserving students to attend college through the Santee Cooper Employees Children Scholarship Program.
- Providing an employee assistance program that is available to employees and their dependents.

Family friendly workplaces establish and sustain programs and policies meant to ease the stress inherent in managing both job and family responsibilities. Santee Cooper was also recognized later in the year by Trident United Way for the same policies.

The Powerline Hazards Awareness Demonstration unit or PHAD again hit the road hard in 2002. The team gave 78 demonstrations to young and old, dramatically showing the consequences of unsafe practices around power lines.

The Santee Cooper 5th Annual Lineworkers' Rodeo was held on Oct. 26 at Somerset Point. Berkeley Electric Cooperative Inc. also participated in the event. Approximately 250 participants and spectators attended to watch line technicians show off their skills.

The Old Santee Canal Park in Moncks Corner, operated by Santee Cooper, continues to develop as a premier focal point of the community. Attendance for the year totaled 31,049. This year the inaugural Lowcountry Antique Tractor and Engine Show drew nearly 1,500 visitors over a two-day period in November.

The Shuckin' in the Park Oyster Festival in March entered its third successful year, despite inclement weather. The Pickin' in the Park Bluegrass Festival attracted 400 music lovers for its third annual event. And, the NAACP Family Day in the Park was held in May with some 400 people in attendance.

GLOSSARY

Availability – The amount of time that a system is available to provide service, usually expressed in percentage, for a specific period of time such as a month or year.

Btu (British thermal unit) – The standard unit for measuring quantity of heat energy, such as the heat content of fuel. It is the amount of heat energy necessary to raise the temperature of one pound of water one degree Fahrenheit.

Capacity – The load for which a generating unit, generating station, or other electrical apparatus is rated either by the user or by the manufacturer.

Combustion turbine – A jet-type turbine engine which burns gas or oil and propels a generator to produce electricity.

Commercial customer – All nonresidential retail customers served under the General Service rate schedules. Generally, these customers have a demand less than 1,000 kW per month.

Demand – The rate at which electric energy is delivered to or by a system, part of a system or a piece of equipment. It is expressed in kilowatts at a given instant or averaged over any designated period of time. The primary source of "demand" is the power-consuming equipment of the customers.

Deregulation – The elimination of regulation from a previously regulated industry or sector.

Distribution – The process of delivering electric energy from convenient points on the transmission or bulk power system to the consumers. Also, a functional classification relating to that portion of a utility plant used for the purpose of delivering electric energy from convenient points on the transmission system to consumers, or to expenses relating to the operation and maintenance of a distribution plant.

Electric cooperative – A private business entity owned by the customers it serves that supplies electric energy to a specified area. In South Carolina, there are 20 electric distribution co-ops, all of which receive Santee Cooper-generated power.

Energy sales – The sale of electric energy to wholesale and retail customers usually expressed in kilowatt-hours.

FERC (Federal Energy Regulatory Commission) – An independent federal agency created within the Department of Energy, FERC is vested with broad regulatory authority over wholesale electric, natural gas and oil production and the licensing of hydroelectric facilities. Among other things, the agency has regulatory authority over the safety of Santee Cooper's dams and dikes.

Fly ash – Gas-borne particles of matter resulting from the combustion of fuels and other materials.

Generating unit – A combination of equipment needed to produce electricity, such as a turbine-generator and its boiler. A generating station usually consists of several units.

Gypsum – This is both a naturally occurring and an artificially produced calcium sulfate ($CaSO_4$) compound. It is used for a multitude of purposes including sheetrock, fertilizer and cement production. Artificial gypsum may be produced by utilities using forced-oxidation desulfurization systems.

Heat rate – A measure of generating station thermal efficiency, generally expressed in Btu per net kilowatt-hour. It is computed by dividing the total Btu content of fuel burned for electric generation by the resulting kilowatt-hour generation. The lower the heat rate, the more efficient the production.

Industrial customer – Very large retail customers served under Santee Cooper's Large Light and Power rate schedule (or associated riders). These customers have a demand greater than 1,000 kW.

Kilowatt (kW) – 1,000 watts.

Kilowatt-hour (kWh) – The basic unit of electric energy equal to one kilowatt (1,000 watts) of power flowing through an electric circuit steadily for one hour.

Load – The amount of electric power delivered or required at any specified point or points on a system.

Megawatt (MW) – One million watts or 1,000 kilowatts.

Megawatt-hour – The basic unit of electric energy equal to one megawatt (1,000 kilowatts) of power flowing through an electric circuit steadily for one hour.

Peak demand – The maximum amount of electricity used by a utility customer at any instant during a specific time period. The peak is used to measure the amount of electric generating capacity that is required to meet that maximum demand.

Public power – Refers collectively to those utilities owned by municipalities or the state or federal government. Although not government owned, electric cooperatives are sometimes considered within the scope of public power.

Regional Transmission Organization (RTO) – A voluntarily created entity approved by the Federal Energy Regulatory Commission to efficiently coordinate transmission planning, operation and use on a regional and interregional basis. It may be a nonprofit or for-profit entity, and it may or may not own the transmission facilities that it operates.

Reinvested earnings – Net revenues available for reinvestment in the business.

Residential customer – The classification of customers to whom electricity is sold for household purposes.

Restructuring – The changes in the regulatory and statutory policies governing electric utilities as well as the changes that are taking place in the marketplace and electric utility industry as a result of these changes in policies.

Retail customer – These customers are the ultimate consumer of electric energy. Includes residential, commercial, small industrial and other non-wholesale customers.

Revenue bond – A bond payable solely from net or gross non-taxable revenues derived from the operation and charges paid by users of the system.

Substation – An assembly of equipment for the purpose of switching and/or changing or regulating the voltage of electricity.

Tax-exempt financing – A form of financing employed by publicly owned utilities that allows such utilities to issue bonds where the interest paid on the bonds is not generally subject to taxation. This policy, established in law, stems from the long-standing philosophical viewpoint that publicly owned utilities (electric, water, sewer) provide basic services to the citizens they serve and thus should not be taxed.

Transmission – The process of transporting electric energy in bulk from a source or sources of supply to other principal parts of the system or to other utility systems. Also, a functional classification relating to that portion of utility plant used for the purpose of transmitting electric energy in bulk to other principal parts of the system or to other utility systems, or to expenses relating to the operation and maintenance of transmission plant.

Watt – The basic electrical unit of power or rate of doing work. The rate of energy transfer equivalent to one ampere flowing due to an electrical pressure of one volt at unity power factor. One watt is equivalent to approximately 1/746 horsepower, or one joule per second.

Wholesale customer – A customer who purchases all or part of their electricity from the electric utility for resale.

FINANCIALS

FINANCE-AUDIT COMMITTEE CHAIRMAN'S LETTER

The Finance-Audit Committee of the Board of Directors is composed of six independent directors: William H. Alford, Merl F. Code, Laura M. Fleming, Willie E. Givens Jr., John R. Jordan and Joseph J. Turner Jr.

The Committee meets monthly with members of management and Internal Audit to review and discuss their activities and responsibilities.

The Finance-Audit Committee oversees Santee Cooper's financial reporting and internal auditing processes on behalf of the Board of Directors. Periodic financial statements and reports from management and the internal auditors pertaining to operations and representations were received. In fulfilling its responsibilities, the Committee also reviewed the overall scope and specific plans for the respective audits by the internal auditors and the independent public accountants. The Committee discussed the Company's financial statements and the adequacy of its system of internal controls.

The Committee met with the independent public accountants and with the General Auditor, without management present, to discuss the results of their audit, their observations on Santee Cooper's internal controls, and the overall quality of Santee Cooper's financial reporting.

Laura M. Fleming

Laura M. Fleming
Chair
Finance-Audit Committee

Jefferies Station, located in Moncks Corner, generates 526 MW of electricity.

Management's Discussion and Analysis

Financial Highlights

	2002	2001
	(Thousands)	
Operating revenues	$ 1,033,335	$ 973,039
Operating expenses	$ 783,424	$ 741,004
Operating income	$ 249,911	$ 232,035
Interest charges	($ 161,227)	($ 155,830)
Cost to be recovered from future revenue	($ 29,935)	($ 36,581)
Other income	$ 23,216	$ 26,886
Change in net assets	$ 71,650	$ 57,294
Ending net assets	$ 1,064,118	$ 992,468

Operating revenues for 2002 increased $60.3 million or 6% primarily due to an 8% gain in kWh sales. Retail sales grew by 3% due to a combination of weather conditions and expansion in the number of customers. Sales to industrial customers rose by 5% and sales for resale increased 11%.

Operating expenses for 2002 increased $42.4 million or 6%. Of this increase, fuel and purchased power expenses accounted for $10.0 million. The addition of the Rainey Generating Station in 2002, allowed Santee Cooper to be less dependent on purchased power resulting in a savings in that area which was offset by the cost of additional fuel. This was the first full year to recognize the benefits of burning synfuel along with the normal coal. This generated an estimated savings to our customers of over $14.0 million which was reflected in the fuel expense reported. Also noteworthy is that the charge for depreciation accounted for more than half of the increase in operating expense. Due to the depreciation study conducted in late 2001, new rates were implemented for calendar year 2002. This resulted in a $23.0 million increase in depreciation, a non-cash expense.

Operating income was up $17.9 million or 8% as a result of these differences.

Interest charges for 2002 were up $5.4 million (3%) compared to last year due to the net effect of increases in interest on long-term debt offset by decreases in commercial paper rates and the associated debt.

Costs to be recovered from future revenue was $6.6 million or 18% lower than last year. This was due to the fact that in 2002 depreciation expense was higher in relation to the associated debt principal payments compared to 2001.

Other income dropped $3.7 million or 14%. Interest income was up $2.0 million (12%) due to more funds available for investment. Miscellaneous income decreased $3.4 million (89%) primarily due to transactions with The Energy Authority and decreased gains on the sale of leased lots.

Change in net assets was up $14.4 million due to these differences.

Overview of the Financial Statements

In June 1999 the Governmental Accounting Standards Board issued Statement No. 34, "Basic Financial Statements – Management's Discussion and Analysis - for State and Local Governments." The objective of this Statement is to enhance the understandability and usefulness of the general-purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors. This Statement was effective for the Authority beginning in fiscal year 2001.

By definition within this Statement, Santee Cooper is deemed a proprietary or enterprise fund; where a government entity operates like a business. GASB 34 requires the following components in a governmental entity's annual report.

- *Management's Discussion and Analysis*
  The purpose is to provide an objective and easily readable analysis of the Authority's financial activities based on currently known facts, decisions, or conditions.
- *Statement of Net Assets*
  Assets and liabilities of proprietary funds should be presented to distinguish between current and long-term assets and liabilities.
- *Statement of Revenues, Expenses and Changes in Fund Net Assets*
  This statement provides the operating results of the Authority broken into the various categories of operating revenue and expenses, non-operating revenues and expenses, as well as revenues from capital contributions.
- *Statement of Cash Flows*
  Using the direct method, sources and uses of cash from operating activities are illustrated.
- *Notes to the Financial Statements*
  Used to explain some of the information in the financial statements and provide more detailed data.

Competition

The electric utility industry in general has been affected by regulatory changes, market developments and other factors that have impacted, and will probably continue to impact, the financial condition and competitiveness of electric utilities and the level of utilization of facilities, such as those of the Authority.

Historically, electric utilities have operated as monopolies in their service areas, subject to certain exceptions. Under this regulatory regime, electric utilities have generally been able to charge rates determined by reference to their costs of service, rather than by competitive forces, and customers of an electric utility with high rates have not been allowed to purchase power at lower rates from other electric utilities. In contrast, in a deregulated market, it is anticipated that customers in a particular service area will be permitted to choose among competing electric suppliers, resulting in a market price for electric power in that service area. An electric utility with power costs that are high in relation to the power costs of competing electric utilities may have costs that cannot be recovered by charging the market rate. Although certain deregulation measures proposed to date would allow for recovery of some portion of the costs that would otherwise be non-recoverable when markets are deregulated, the ultimate regulatory treatment of such costs cannot be predicted. The loss of customers by an electric utility, particularly in the absence of a method to recover costs allocable to such customers, could have a materially adverse effect on the financial condition of the utility.

Senate Task Force on Deregulation of South Carolina's Electric Utility Industry: Late in 1998, a 19 member Senate task force was established to study the deregulation of South Carolina's electric utility industry. The Task Force had its organizational meeting on December 1, 1998, and consists of eight members of the Senate and eleven additional members, including the Authority's President and Chief Executive Officer, representing various stakeholder groups. The mission of the Task Force is to answer the threshold question of whether a fundamental restructuring of the electric utility industry is in the best interests of the citizens of the State and, if so, to recommend legislative changes. The Task Force established five subcommittees: Operations, Consumer, Financial, Regulatory and Legal and Oversight. The Task Force has no specific deadline within which it must accomplish its work. The Task Force last met November 1999. No future meetings of the Task Force have been scheduled, although no action has been taken to formally disband the group. The Authority is unable to predict whether there will be retail deregulation in the State and, if so, when or under what conditions.

Other factors that could impact the Authority include, among others, (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (c) changes that might result from national energy policies, (d) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and strategic alliances of competing electric (and gas) utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of producing low cost electricity, (e) increased competition from independent power producers and marketers and brokers, (f) self-generation by certain industrial and commercial customers, (g) issues relating to the ability to issue tax-exempt obligations, (h) restrictions on the ability to sell to non-governmental entities electricity from projects financed with outstanding tax-exempt obligations, (i) changes from projected future load requirements, (j) increases in costs, and (k) shifts in the availability and relative costs of different fuels. Any of these factors (as well as other factors) could have an effect on the financial condition of any given electric utility, including the Authority and likely will affect individual utilities in different ways.

Regulatory Matters

Hydroelectric Relicensing: The Authority operates its Jefferies Hydro Station and certain other property, including the Pinopolis Dam on the Cooper River and the Santee Dam on the Santee River, which are major parts of the Authority's integrated hydroelectric complex, under a license issued by the Federal Energy Regulatory Commission (FERC) pursuant to the Federal Power Act. The license, which has been renewed once, is scheduled to expire on March 31, 2006. A Notice of Intent to relicense the hydroelectric complex was filed with the FERC on November 13, 2000. The Authority has begun the initial strategic planning and preparation for relicensing.

SeTrans Participation Agreement: On September 24, 2001 the Authority, along with six municipal and electric cooperative transmission owners and Southern Company (together with the Authority, the "participating transmission owners"), executed an agreement to investigate the development of a Regional Transmission Organization (RTO) for the southeastern United States, currently referred to as SeTrans. The Entergy Companies soon became signatories to this agreement, as well as CLECO Power L.L.C. and Sam Rayburn G&T Cooperative, Inc. The RTO concept that is being explored involves utilizing an independent entity (the "ISA" or "Independent System Administrator"), which would own no generation or transmission assets, to operate the combined transmission assets of the participating transmission owners. The participating transmission owners would continue to own their respective transmission assets. On June 24, 2002, the eleven transmission owners participating in the SeTrans Development Process filed a petition for Declaratory Order with the FERC. The petition seeks a determination that (1) the Independent System Administrator business model satisfies the criteria set forth in Order 2000 and subsequent FERC precedent and (2) the process by which the ISA is chosen satisfies these criteria. These discussions and negotiations regarding the development of an RTO in the Authority's region are ongoing, and their outcome and any potential impact on the Authority are unknown at this time. See Footnote 9 in the audited financial statements for further information.

Notice of Proposed Rulemaking (2002 NOPR): On July 31, 2002, FERC issued a Notice of Proposed Rulemaking (the "2002 NOPR") that proposes wide-ranging changes to the nation's wholesale energy market. Through the 2002 NOPR, the FERC proposes to (a) mandate a Standard Market Design ("SMD") which provides a framework for wholesale electric markets to remedy alleged discrimination in the use of the interstate transmission system; (b) exercise jurisdiction over the transmission component of bundled retail transactions for FERC jurisdictional transmission owners; and (c) establish a new form of universal transmission service to replace point-to-point and network service available pursuant to Order No. 888. This new transmission service, which is called Network Access Service, applies consistent transmission rules for all transmission customers. The 2002 NOPR also proposes that all jurisdictional transmission owners and operators that have not yet joined an RTO must contract with an independent entity to operate their transmission facilities. Public comments were due to FERC by November 15, 2002 with the final order planned to be issued by FERC in the summer of 2003. Additionally, the 2002 NOPR proposes the continuation of the reciprocity requirement for non-jurisdictional utilities set forth in Order No. 888.

Although the Authority is not directly subject to the FERC's jurisdiction under sections 205 and 206 of the Federal Power Act, the Authority could be affected by the 2002 NOPR, depending on the final order. No accurate prediction of the outcome of this proposed rule making can be made at this time.

Capital Improvement Program

The Authority's capital improvement program for years 2003 through 2005 consists of expenditures for completion of (a) Rainey Generating Station units 3, 4 and 5, (b) Cross Generating Station Unit 3, and (c) general improvements to the Authority's System. These general improvements include the power supply facilities, extensions of and improvements to transmission and distribution facilities, environmental compliance, and other improvements to general facilities.

The total cost of the capital improvement program in years 2003 through 2005 is estimated to be approximately $1.1 billion. This amount is expected to be applied as follows: (1) $60 million for completion of Rainey units 3, 4, and 5 expected to be operational in 2004, (2) $550 million for Cross Unit 3, (3) $183 million for environmental compliance expenditures, and (4) $353 million for general improvements to the System. The cost of the capital improvement program will be provided from Revenues of the Authority, and a combination of taxable and tax-exempt debt, as determined by the Authority.

Based on the recent published output contract Private Use Regulations of the U.S. Treasury, the Authority expects tax exempt financing to continue to be available to it.

In 2002, the Authority was active in the bond market to provide funds for planned construction and to refund outstanding debt to take advantage of lower interest rates.

Bond Market Transactions During 2002

Par Amount	Type	Date Closed	Purpose	Comments
$ 108,035,000	Revenue Obligations: 2002A	04/03/2002	Refund 1992 Series A Refunding Bonds over the life of the bonds	Gross savings of $15.1 million.
$ 281,140,000	Revenue Obligations: 2002B	02/13/2002	To finance construction of Cross Unit #3 and 3 simple cycle units at Rainey Generating Station.	Tax-exempt bonds. All-in true interest cost of 5.28%.
$ 91,775,000	Revenue Obligations: 2002C	02/13/2002	To finance construction of 3 simple cycle units at Rainey Generating Station and SIP Call environmental requirements.	Taxable bonds as required by IRS Private Use ruling. All-in true interest cost of 5.38%.
$ 440,760,000	Revenue Obligations: 2002D	10/22/2002	Refund the following: 1993 Refunding Series A (partial) 1993 Refunding Series B-1 1993 Refunding Series B-2 1993 Refunding Series C (partial)	Gross savings of $82.0 million over the life of the bonds.

REPORT OF INDEPENDENT AUDITORS

To the Advisory Board and Board of Directors of the
South Carolina Public Service Authority:

We have audited the accompanying combined balance sheet of the South Carolina Public Service Authority (a component unit of the state of South Carolina) as of December 31, 2002 and the related combined statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the South Carolina Public Service Authority as of December 31, 2001, and for the year then ended were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated February 15, 2002.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Public Service Authority as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Deloitte & Touche LLP

Atlanta, Georgia
February 14, 2003.

Combined Balance Sheets

South Carolina Public Service Authority
As of December 31, 2002 and 2001

ASSETS

	2002	2001
	(Thousands)	
Current assets		
Unrestricted cash and cash equivalents	$ 97,687	$ 70,473
Unrestricted investments	180,695	122,645
Restricted cash and cash equivalents	65,846	98,268
Restricted investments	71,373	73,233
Receivables, net of allowance for doubtful accounts of		
$679,000 and $4,236,000 at December 31, 2002 and 2001, respectively	119,606	93,891
Materials inventory	39,920	37,524
Fuel inventory		
Fossil fuels	92,385	71,300
Nuclear fuel-net	18,098	21,157
Interest receivable	4,009	3,199
Prepaid expenses	3,471	1,759
Total current assets	693,090	593,449
Noncurrent assets		
Restricted cash and cash equivalents	82,320	37,474
Restricted investments	316,542	123,682
Capital assets		
Utility plant	3,957,071	3,567,720
Accumulated depreciation	(1,570,365)	(1,467,312)
Total utility plant-net	2,386,706	2,100,408
Construction work in progress	221,783	410,711
Other physical property-net	2,173	1,647
Investment in associated company	21,136	10,972
Deferred debits and other noncurrent assets		
Unamortized debt expenses	25,127	23,622
Costs to be recovered from future revenue	216,914	246,849
Other	26,294	54,387
Total noncurrent assets	3,298,995	3,009,752
Total assets	$ 3,992,085	$ 3,603,201

The accompanying notes are an integral part of these combined financial statements.

LIABILITIES

	2002		2001
		(Thousands)	
Current liabilities			
Current portion of long term debt	$ 84,502		$ 71,814
Accrued interest on long term debt	60,823		60,458
Commercial paper-net	303,177		308,965
Accounts payable	89,201		74,110
Other current liabilities	22,815		17,459
Total current liabilities	560,518		532,806
Noncurrent liabilities			
Construction fund liabilities	7,092		15,035
Accrued nuclear decommissioning costs	101,060		84,366
Total long-term debt (net of current portion)	2,459,791		2,213,108
Unamortized loss on refunded debt	(250,525)		(233,602)
Unamortized debt premium (discount)-net	15,958		(35,101)
Long term debt-net	2,225,224		1,944,405
Other deferred credits and noncurrent liabilities	34,073		34,121
Total noncurrent liabilities	2,367,449		2,077,927
Total liabilities	2,927,967		2,610,733

COMMITMENTS AND CONTINGENCIES (Notes 7, 8 and 9)

NET ASSETS

	2002	2001
Invested in capital assets, net of related debt	253,984	231,233
Restricted for debt service	76,396	111,043
Restricted for capital projects	275,423	64,181
Restricted for other	71,353	55,654
Unrestricted	386,962	530,357
Total net assets	1,064,118	992,468
Total liabilities and net assets	$ 3,992,085	$ 3,603,201

Combined Statements of Revenues, Expenses and Changes in Net Assets

South Carolina Public Service Authority

Years Ended December 31, 2002 and 2001

	2002	2001
	(Thousands)	
Operating revenues		
Sale of electricity	**$ 1,018,871**	$ 955,670
Sale of water	**4,471**	4,544
Other operating revenue	**9,993**	12,825
Total operating revenues	**1,033,335**	973,039
Operating expenses		
Electric operation expense		
Production	**51,833**	48,746
Fuel	**376,557**	309,560
Purchased and interchanged power	**60,170**	118,143
Transmission	**13,804**	14,096
Distribution	**7,197**	7,134
Customer accounts	**1,803**	9,354
Sales	**2,128**	2,358
Administrative and general	**58,966**	51,319
Electric maintenance expense	**72,353**	65,471
Water operation expense	**1,157**	1,017
Water maintenance expense	**435**	295
Total operation and maintenance expenses	**646,403**	627,493
Depreciation and amortization	**134,046**	110,990
Sums in lieu of taxes	**2,975**	2,521
Total operating expenses	**783,424**	741,004
Operating income	**$ 249,911**	$ 232,035

The accompanying notes are an integral part of these combined financial statements.

	2002		2001
		(Thousands)	
Nonoperating revenues (expenses)			
Interest and investment revenue	**$ 18,500**		$ 16,480
Net increase in the fair value of investments	**4,305**		6,602
Interest expense on long term debt	**(136,040)**		(124,882)
Other interest expense	**(25,187)**		(30,948)
Costs to be recovered from future revenue	**(29,935)**		(36,581)
Other-net	**411**		3,804
Total nonoperating revenues (expenses)	**(167,946)**		(165,525)
Income before transfers	**81,965**		66,510
Transfers out	**(10,315)**		(9,216)
Change in net assets	**71,650**		57,294
Total net assets-beginning	**992,468**		935,174
Total net assets-ending	**$ 1,064,118**		$ 992,468

Combined Statements of Cash Flows

South Carolina Public Service Authority

Years Ended December 31, 2002 and 2001

	2002	2001
	(Thousands)	
Cash flows from operating activities		
Receipts from customers	**$ 1,011,177**	$ 970,939
Payments to non-fuel suppliers	**(117,330)**	(133,812)
Payments for fuel	**(372,636)**	(304,987)
Purchased power	**(57,606)**	(118,163)
Payments to employees	**(104,389)**	(94,330)
Other receipts, (payments), net	**19,338**	(287)
Net cash provided by operating activities	**378, 554**	319,360
Cash flows from non-capital related financing activities		
Distribution to the state of South Carolina	**(10,315)**	(9,216)
Net cash used in non-capital related financing activities	**(10,315)**	(9,216)
Cash flows from capital-related financing activities		
Proceeds from sale of bonds	**921,710**	54,890
Retirements of reacquired debt	**0**	2
Net commercial paper repayments	**(5,759)**	(22,630)
Repayment and refunding of bonds	**(659,685)**	(75,530)
Interest paid on borrowings	**(133,308)**	(136,811)
Construction and betterments of utility plant	**(235,948)**	(209,372)
Debt premium (issuance costs)	**13,563**	90
Other, net	**(2,082)**	(2,552)
Net cash used in capital-related financing activities	**(101,509)**	(391,913)
Cash flows from investing activities		
Net decrease (increase) in investments	**(244,745)**	(10,816)
Interest on investments	**17,653**	16,460
Net cash provided by (used for) investing activities	**(227,092)**	5,644
Net increase (decrease) in cash and cash equivalents	**39,638**	(76,125)
Balance-beginning of the year	**206,215**	282,340
Balance-end of the year	**$ 245,853**	$ 206,215

The accompanying notes are an integral part of these combined financial statements.

	2002		2001
		(Thousands)	
Reconciliation of operating income to net cash provided by operating activities			
Operating income	**$ 249,911**		$ 232,035
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	**143,770**		118,961
Impact of transactions involving associated company	**(29,259)**		(48,909)
Distributions from associated company	**26,587**		39,789
Advance to associated company	**(1,177)**		0
Other income	**155**		135
Changes in assets and liabilities:			
Accounts receivable, net	**(26,184)**		1,804
Inventories	**(23,123)**		(37,334)
Prepaid expenses	**(1,712)**		(1,222)
Other deferred debits	**10,091**		(6,332)
Deferred coal contract buy-out costs	**7,600**		7,300
Accounts payable	**15,091**		14,387
Other current liabilities	**(1,796)**		(12,941)
Other noncurrent liabilities	**8,600**		11,687
Net cash provided by operating activities	**$ 378,554**		$ 319,360

	2002		2001
Composition of cash and cash equivalents			
Current			
Unrestricted cash and cash equivalents	**$ 97,687**		$ 70,473
Restricted cash and cash equivalents	**65,846**		98,268
Noncurrent			
Restricted cash and cash equivalents	**82,320**		37,474
Cash and cash equivalents at the end of the year	**$ 245,853**		$ 206,215

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies:

A - Reporting Entity – The South Carolina Public Service Authority (the "Authority"), a component unit of the state of South Carolina, was created in 1934 by the state legislature. The Board of Directors is appointed by the Governor of South Carolina with the advice and consent of the Senate. The purpose of the Authority is to provide electric power and wholesale water to the people of South Carolina. Capital projects are funded by commercial paper in addition to bonds and internally generated funds. As authorized by State law, the Board of Directors sets rates charged to customers to pay debt service and operating expenses and to provide funds required under bond covenants.

B - System of Accounts – The accounting records of the Authority are maintained on an accrual basis in accordance with accounting principles generally accepted in the United States (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting and the Financial Accounting Standards Board (FASB) that do not conflict with rules issued by the GASB. The Authority's combined financial statements include the accounts of the Lake Moultrie Regional Water System after elimination of intercompany accounts and transactions. The accounts are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) for the electric system and the National Association of Regulatory Utility Commissioners (NARUC) for the water system. The Authority also complies with policies and practices prescribed by its Board of Directors and to practices common in both industries. As the Board of Directors is authorized to set rates, the Authority has historically followed FASB Statement No. 71, which provides for the reporting of assets and liabilities consistent with the economic effect of the rate structure. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

C - Cash and Cash Equivalents – For purposes of the statements of cash flows, the Authority considers highly liquid investments with original maturities of less than three months and cash on deposit with financial institutions as cash and cash equivalents. In 2001, the Authority adopted GASB Statement No. 34 which requires cash and cash equivalents to be shown as either restricted or unrestricted. "Restricted" refers to those funds limited by law, regulations or Board action as to their allowable disbursement. "Unrestricted" is all other funds not meeting the requirements of restricted. Funds identified as current are those available for use within the next 12 months. Noncurrent are those funds expected to be used in some period beyond 12 months from the balance sheet date.

D - Inventory – Material inventory and fuel inventory are carried at historical costs. At the time of issuance or consumption, an expense is recorded at the weighted average cost. Fuel inventory costs are recovered through a fuel adjustment clause based on the weighted average costs for the previous three-month period.

E - Utility Plant – Utility plant is recorded at cost, which includes materials, labor, overhead, and interest capitalized during construction. Interest is capitalized when funded through borrowings. There was no interest capitalized in 2002 or 2001. The costs of maintenance, repairs and minor replacements are charged to appropriate operation and maintenance expense accounts. The costs of renewals and betterments are capitalized. The original cost of utility plant retired and the cost of removal, less salvage, are charged to accumulated depreciation.

F - Depreciation – Depreciation is computed using composite rates on a straight-line basis over the estimated useful lives of the various classes of the plant. The Authority periodically has depreciation studies performed by independent parties to assist management and the Board in establishing appropriate composite depreciation rates. Annual depreciation provisions, expressed as a percentage of average depreciable utility plant in service, were approximately 3.6% and 3.3% for the periods ended December 31, 2002 and 2001, respectively. Amortization of capitalized leases is also included in depreciation expense.

G - Investment in Associated Company - The Authority is a member of The Energy Authority (TEA) along with City Utilities of Springfield (Missouri), Gainesville Regional Utilities (Florida), JEA (Florida), the Municipal Electric Authority of Georgia, and Nebraska Public Power District.

TEA markets wholesale power and coordinates the operation of the generation assets of its members to maximize the efficient use of electrical energy resources, reduce operating costs and increase operating revenues of the members. TEA is expected to accomplish the foregoing without impacting the safety and reliability of the electric system of each member. TEA does not engage in the construction or ownership of generation or transmission assets. TEA also assists members with natural gas hedging activities and acts as an agent in the execution of forward gas transactions. The Authority accounts for its investment in TEA under the equity method of accounting.

All of TEA's revenues and its costs are allocated to the members. The following table summarizes the transactions applicable to the Authority.

TEA Investment		2002
		(Thousands)
Opening balance	$	10,972
Reduction to power costs		
and increases in electric revenues		28,720
Mark-to-market gains (losses) on		
open gas positions – net		8,094
Funding of gas trading account – net		(3,565)
Profit (Loss) from closed gas positions		4,632
Distributions from TEA		(26,632)
Other		(1,085)
Ending balance	$	21,136

In accordance with FASB 71, the unrealized gains were deferred at December 31, 2002, as regulatory assets and were recognized and recovered through rates as the hedged power delivery occurred and was recorded to fuel expense.

During 2001, the Authority recorded distributions from power marketing of approximately $39.8 million from TEA and recognized $40.0 million in reductions to power costs partially offset by $1.4 million in equity losses. With respect to natural gas marketing, the Authority advanced approximately $10.2 million to fund authorized gas forward purchases and sales contracts. During 2001, the Authority recorded $3.2 million in realized losses from natural gas hedging transactions and $3.1 million as unrealized losses using mark-to-market accounting as outlined by FASB Statement No. 133. The unrealized losses were deferred at December 31, 2001, as regulatory assets and were recognized and recovered through rates as the hedged power delivery occurred and was recorded to fuel expense.

The Authority's exposure relating to TEA is limited to the Authority's capital investments in TEA, any accounts receivable from TEA and trade guarantees provided to TEA by the Authority. The Authority's support of TEA's trading activities is limited based on the formula derived from the forward value of TEA's trading positions at a point in time. The formula was approved by the Authority's Board of Directors and at December 31, 2002 the support is an amount not to exceed approximately $63.8 million.

H - Bond Issuance Costs and Refunding Activity – Unamortized debt discount, premium, and expense are amortized to income over the terms of the related debt issues. Gains or losses on refunded debt are amortized to income over the shorter of the remaining life of the refunded debt or the life of the new debt.

I - Deferred Coal Contract Buy-Out Costs – During 1995, the Authority exercised a buy-out option on an existing coal contract in order to take advantage of lower coal costs. The cost of the buy-out, which was approximately $53.0 million is recorded in deferred debits and included as a component of fuel costs over the remaining life of the former contract. The balance in this account at December 31, 2002 was $3.7 million.

J - Revenue Recognition and Fuel Costs – Substantially all wholesale and industrial revenues are billed and recorded at the end of each month. Revenues for electricity delivered to retail customers which have not been billed are accrued. Fuel costs are reflected in operating expenses as fuel is consumed.

K - Payment to the State – The Authority is operated for the benefit of the people of South Carolina (the "State"). By law, any and all net earnings of the Authority not necessary for prudent operations, debt service, or other obligations or agreements made with the purchasers or holders, shall be paid semiannually to the State. Historically, the Authority has paid such amounts in July and January. The Authority recognizes the distributions (shown as "Transfers Out" on the Statements of Revenues, Expenses and Changes in Net Assets) as a reduction of net assets when paid. These payments totaled $10.3 million in 2002 and $9.2 million in 2001. In January 2003, the Authority made a payment to the State of $5.1 million.

L - Accounting for Derivative Instruments – The Authority follows the requirements of FASB 133 "Accounting for Derivative Instruments and Hedging Activities." The majority of the Authority's derivative instruments have been determined to meet the normal purchases and normal sales exception provided by FASB 133. The Authority engages in gas hedging activity through TEA in an effort to reduce the overall cost of fuel inventories. Unrealized gains and losses related to such activity are deferred in a regulatory account and recognized in earnings as the gas is consumed in the production cycle.

M - Impairment of Long-Lived Assets – <u>Statements of Financial Accounting Standards No. 121 and 144:</u> Through 2001, the Authority followed the accounting requirement of FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of." This statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Effective 2002, the Authority adopted FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets," which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes FASB 121. FASB 144 states the required accounting for disposing of long-lived assets whether previously held and used or newly acquired, and broadens the presentation of discontinued operations to include more disposal transactions. The implementation of FASB 144 did not have a material impact on the Authority's financial position or results of operations.

N - Issued But Not Yet Effective Pronouncements –
<u>Statement of Financial Accounting Standards No.143</u>: The Financial Accounting Standards Board (FASB) issued FASB Statement No. 143, "Accounting for Asset Retirement Obligations," in July 2001. This statement provides accounting and disclosure requirements for retirement obligations associat-

ed with long-lived assets and is effective January 1, 2003.

This statement requires that the present value of retirement costs for which the Authority has a legal obligation be recorded as liabilities with an equivalent amount added to the asset cost and depreciated over an appropriate period. The liability is then accreted over time by applying an interest method of allocation to the liability. Cumulative accretion and accumulated depreciation will be recognized for the time period from the date the liability would have been recognized had the provisions of this statement been in effect, to the date of adoption of this statement. Upon adoption, any previously recognized accruals for legal retirement obligations will be reversed. The cumulative effect of initially applying this statement is recognized as a change in accounting principle. The adoption of this statement will have no impact on the income of regulated entities, as the effects are expected to be offset by the establishment of regulatory assets or liabilities pursuant to FASB 71.

The Authority has completed a detailed assessment of the specific applicability and implications of FASB 143 and has determined that the decommissioning requirement for the V. C. Summer Nuclear Plant, of which the Authority is a non-operating owner, is the only material obligation of the Authority within the scope of FASB 143. The Authority is in the process of quantifying the impact of FASB 143 and will record the fair value of its decommissioning liability beginning in 2003. In addition, the Authority will be required to disclose any amounts accrued for retirement activities outside the scope of FASB 143.

Note 2 – Costs to Be Recovered from Future Revenue:

The Authority's electric rates are established based upon debt service and operating fund requirements. Depreciation is not considered in the cost of service calculation used to design rates. The differences between debt principal maturities (adjusted for the effects of premiums, discounts, expenses and amortization of deferred gains and losses) and depreciation on debt financed assets are recognized as costs to be recovered from future revenue. The recovery of outstanding amounts associated with costs to be recovered from future revenue will coincide with the retirement of the outstanding long-term debt of the Authority.

Note 3 – Cash and Investments Held by Trustee:

Unexpended funds from the sale of bonds, debt service funds, other special funds, and cash and investments are held and maintained by trustees, and their use is designated in accordance with applicable provisions of various trust indentures, bond resolutions, lease agreements, and the Enabling Act included in the South Carolina law. Such funds consist principally of investments in government securities. In 1998, the Authority adopted the provisions of the GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB 31 establishes standards of accounting and financial reporting for certain investments in securities and requires that all equity and debt securities be recorded at their fair value with gains and losses in fair value reflected as a component of nonoperating income in the Statements of Revenues, Expenses, and Changes in Net Assets. As of December 31, 2002 and 2001, the Authority had investments totalling approximately $804.2 million and $518.9 million, respectively.

As of December 31, 2002, the Authority's cash, and investments carried at fair market value, included nuclear decommissioning funds of $100.8 million with related unrealized holding gains of $17.4 million. As of December 31, 2001, decommissioning funds totaled approximately $84.0 million with related unrealized holding gains of $10.7 million. These unrealized holding gains are reflected in the decommissioning liability and not as a separate component of non-operating income in the Statements of Revenues, Expenses, and Changes in Net Assets.

All the Authority's investments with the exception of decommissioning funds are limited to a maturity of ten years or less. For the year ended December 31, 2002, the Authority made investment purchases and sales at cost totaling approximately $39.0 billion and $38.8 billion, respectively. For the year ended December 31, 2001, the Authority made investment purchases at cost totaling approximately $37.6 billion and realized proceeds from the sale of investments totaling $37.6 billion.

GASB Statement No. 3 requires certain disclosures for an entity's deposit and investment portfolio as of the balance sheet date to provide information about credit and market risk. The following definitions of "Investments" and "Cash" are used in the table to follow.

Investments – Trust indentures and resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies, instrumentalities, and certificates of deposit. The Authority's investments consist of U.S. government securities, certificates of deposit, and repurchase agreements.

The Authority requires that securities underlying repurchase agreements have a market value of at least 102% of the cost of the repurchase agreement. Securities underlying repurchase agreements are delivered by broker/dealers to the Authority's trust agents. At December 31, 2002, the Authority's repurchase agreements totaled approximately $198.2 million.

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by trust agents in the Authority's name. Category 2 includes uninsured certificates of deposit which are collateralized with securities pledged to the Authority by pledging financial institutions but not held in the Authority's name.

Cash – Cash is categorized as follows: Category 1 includes bank balances entirely covered by federal depository insurance. Category 2 includes bank balances that are uncollateralized or collateralized with securities pledged to the Authority by pledging financial institutions but not held in the Authority's name.

2002						
	Investments		Cash		Total	
	Category 1	Category 2	Category 1	Category 2	Carrying Value	Market Value
	(Thousands)					
Current Assets						
Unrestricted Cash & Cash Equivalents	$ 87,412	$ 400	$ 1,168	$ 8,707	$ 97,687	$ 97,687
Unrestricted Investments	179,795	900	0	0	180,695	180,695
Restricted Cash & Cash Equivalents	65,839	0	7	0	65,846	65,846
Restricted Investments	71,373	0	0	0	71,373	71,373
Total Current Cash, Cash Equivalents & Investments	$ 404,419	$ 1,300	$ 1,175	$ 8,707	$ 415,601	$ 415,601
Noncurrent Assets						
Restricted Cash & Cash Equivalents	$ 81,898	$ 0	$ 422	$ 0	$ 82,320	$ 82,320
Restricted Investments	316,542	0	0	0	316,542	316,542
Total Noncurrent Cash, Cash Equivalents & Investments	$ 398,440	$ 0	$ 422	$ 0	$ 398, 862	$ 398,862
Total	$ 802,859	$ 1,300	$ 1,597	$ 8,707	$ 814,463	$ 814,463

2001						
	Investments		Cash		Total	
	Category 1	Category 2	Category 1	Category 2	Carrying Value	Market Value
	(Thousands)					
Current Assets						
Unrestricted Cash & Cash Equivalents	$ 63,363	$ 300	$ 931	$ 5,879	$ 70,473	$ 70,473
Unrestricted Investments	121,645	1,000	0	0	122,645	122,645
Restricted Cash & Cash Equivalents	98,256	0	12	0	98,268	98,268
Restricted Investments	73,233	0	0	0	73,233	73,233
Total Current Cash, Cash Equivalents & Investments	$ 356,497	$ 1,300	$ 943	$ 5,879	$ 364,619	$ 364,619
Noncurrent Assets						
Restricted Cash & Cash Equivalents	$ 37,450	$ 0	$ 24	$ 0	$ 37,474	$ 37,474
Restricted Investments	123,682	0	0	0	$ 123,682	123,682
Total Noncurrent Cash, Cash Equivalents & Investments	$ 161,132	$ 0	$ 24	$ 0	$ 161,156	$ 161,156
Total	$ 517,629	$ 1,300	$ 967	$ 5,879	$ 525,775	$ 525,775

Note 4 – Long-Term Debt Outstanding:

The Authority's long-term debt at December 31, 2002 and 2001 consisted of the following:

	2002	2001	Interest Rate(s) (1)	Call Price (1)
	(Thousands)			
Electric Revenue Bonds-Priority Obligations:				
(mature through 2006)	$ 16,565	$ 20,270	4.10%	100
Capitalized Lease Obligations:				
(mature through 2014)	24,278	26,932	2.00-5.00	N/A
Revenue Bonds: (mature through 2032)				
1992 Refunding Series A	0	113,380	N/A	N/A
1993 Refunding Series A&B	6,280	361,140	5.20	102
1993 Refunding Series C	447,340	583,060	4.50-5.125	102
1995 Refunding Series A	101,200	106,900	6.125-6.25	102
1995 Refunding Series B	162,395	166,655	5.40-6.50	102
1996 Refunding Series A	222,240	223,690	5.75-6.50	102
1996 Refunding Series B	21,505	21,505	5.50	102
1997 Refunding Series A	206,910	208,835	4.875-5.125	101
1998 Refunding Series A	20,680	48,265	5.00	Non-callable
1998 Refunding Series B	25,165	25,760	4.00-5.25	101
Total Revenue Bonds	1,213,715	1,859,190		
Revenue Obligations: (mature through 2037)				
1999 Tax-exempt Series A	198,320	198,320	4.80-5.75	101
1999 Taxable Series B	120,320	125,320	6.68-7.42	Non-callable
2001 Tax-Exempt Improvement Series A	46,285	46,285	3.25-5.25	101
2001 Tax-Exempt Refunding Series A	3,100	8,605	4.00	Non-callable
2002 Tax-Exempt Refunding Series A	108,035	0	5.00-5.50	101
2002 Tax-Exempt Improvement Series B	281,140	0	5.00-5.375	100
2002 Taxable Improvement Series C	91,775	0	4.46-5.51	P&I Plus Make-whole Premium
2002 Tax-Exempt Refunding Series D	440,760	0	2.50-5.25	100
Total Revenue Obligations	1,289,735	378,530		
Less: Current Portion-Long-term Debt	84,502	71,814		
Total Long-term Debt - (Net of current portion)	$ 2,459,791	$ 2,213,108		

(1) Apply only to bonds outstanding as of 12/31/2002.

Maturities of long-term debt are as follows:

	Priority Obligations	Capitalized Leases	Revenue Bonds	Revenue Obligations	Total Principal	Interest	Total
Year Ending December 31,					(Thousands)		
2003	$ 3,870	$ 2,762	$ 52,560	$ 25,310	$ 84,502	$ 127,328	$ 211,830
2004	4,045	2,761	26,970	40,255	74,031	129,567	203,598
2005	4,230	2,771	18,120	54,475	79,596	125,436	205,032
2006	4,420	2,672	11,065	59,440	77,597	121,467	199,064
2007	0	2,737	750	70,240	73,727	117,400	191,127
2008-2012	0	9,311	81,320	312,185	402,816	526,736	929,552
2013-2017	0	1,264	222,690	295,435	519,389	412,861	932,250
2018-2022	0	0	431,705	223,010	654,715	241,980	896,695
2023-2027	0	0	197,300	0	197,300	119,127	316,427
2028-2032	0	0	171,235	32,835	204,070	73,722	277,792
2033-2037	0	0	0	176,550	176,550	23,683	200,233
Total	$ 16,565	$ 24,278	$ 1,213,715	$ 1,289,735	$ 2,544,293	$ 2,019,307	$ 4,563,600

The fair value of the Authority's debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Authority for debt with the same remaining maturities. Based on the borrowing rates currently available to the Authority for debt with similar terms and average maturities, the fair value of debt is approximately $3.00 billion and $2.62 billion at December 31, 2002 and 2001, respectively.

Refunded amounts outstanding, original loss on refunding, and the unamortized loss at December 31, 2002 are as follows:

Refunding Issue		Refunded Bonds	Refunded Amount Outstanding	Original Loss	Unamortized Loss
			(Thousands)		
Cash Defeasance	$	20,000 of the 1982 Series A	$ —	$ 2,763	$ 1,437
1993 A&B Refunding	$	86,180 of the 1974 Series			
	$	93,360 of the 1979 Series A			
	$	4,980 of the 1985 Refunding Series A			
	$	14,935 of the 1986 Refunding Series A			
	$	23,675 of the 1986 Refunding Series B			
	$	135,705 of the 1991 Refunding & Improvement Series B and C	—	38,870	405
1993 C Refunding	$	167,660 of the 1977 Refunding Series			
	$	1,565 of the 1979 Series A			
	$	900 of the 1985 Refunding Series			
	$	2,390 of the 1985 Refunding Series A			
	$	6,365 of the 1986 Refunding Series A			
	$	14,905 of the 1988 Refunding Series A			
	$	100,110 of the 1991 Refunding & Improvement Series B and C			
	$	279,905 of the 1991 Series D	—	72,311	42,760
1995 A Refunding	$	138,505 of the 1988 Refunding Series A	—	20,024	11,357
1995 B Refunding	$	175,330 of the 1987 Refunding Series A	—	40,758	23,141
1996 A Refunding	$	257,795 of the 1986 Refunding Series C	—	92,596	56,891
1996 B Refunding	$	5,925 of the 1986 Refunding Series A			
	$	5,830 of the 1986 Refunding Series C			
	$	62,325 of the 1986 Refunding Series D			
	$	6,940 of the 1987 Refunding Series A			
	$	4,155 of the 1988 Refunding Series A	—	4,831	2,231
Cash Defeasance	$	14,080 of the 1992 Refunding Series A			
	$	14,955 of the 1996 Refunding Series A	12,345	4,779	2,048
1997 A Refunding	$	100,000 of the 1978 Series			
	$	68,325 of the 1991 Series B			
	$	37,495 of the 1991 Series D	—	16,990	13,289
Commercial Paper	$	76,050 of the 1973 Series			
	$	105,605 of the 1977 Series			
	$	81,420 of the 1978 Series	—	2,099	1,293
1998 B Refunding	$	25,000 of the 1992 B Series	—	1,970	1,472
2001 A Refunding	$	10,000 of the 1991 Refunding & Improvement Series B	—	286	167
2002 A Refunding	$	113,380 of the 1992 Refunding Series A	—	23,378	21,725
2002 D Refunding	$	293,250 of the 1993 Refunding Series A			
	$	25,900 of the 1993 Refunding Series B-1			
	$	25,900 of the 1993 Refunding Series B-2			
	$	132,095 of the 1993 Refunding Series C	477,145	73,613	72,309
Total			$ 489,490	$ 395,268	$ 250,525

On August 10, 2001, the Authority entered into a Forward Delivery Bond Purchase Agreement for the sale of approximately $108.0 million Revenue Obligations, 2002 Refunding Series A Bonds (2002 A Bonds) which were delivered on April 3, 2002. This refunding reduced the Authority's total debt service over the life of the bonds by approximately $15.1 million, resulting in an economic gain over the life of the bonds of approximately $8.6 million.

On January 25, 2002, the Authority's Board of Directors authorized the sale of approximately $372.9 million Revenue Obligations, 2002 Series B & C (2002 B & C Bonds). The 2002 Tax-Exempt Series B (2002 B Bonds) totaled approximately $281.1 million. The 2002 Taxable Series C (2002 C Bonds) totaled approximately $91.8 million. The 2002 C Bonds were issued as taxable bonds to comply with IRS Private Use Regulations. The 2002 B & C Bonds were issued February 13, 2002 at an all-in true interest cost of 5.29% (aggregate true interest cost) and mature between January 1, 2005 and January 1, 2037.

On September 9, 2002, the Authority's Board of Directors authorized the sale of $440.7 million Revenue Obligations, 2002 Refunding Series D (2002 D Bonds). This refunding reduced the Authority's total debt service over the life of its bonds by approximately $82.0 million, resulting in an economic gain of approximately $34.8 million. The debt was issued at an all-in true interest rate of 4.17%. Yields ranged from 1.45% in 2003 to 4.59% on the 2021 maturities.

All Authority debt is secured by a lien upon and pledge of the Authority's revenues. The Authority's bond indentures provide for certain restrictions, the most significant of which are:

1. The Authority covenants to establish rates sufficient to pay all debt service, required lease payments, capital improvement fund requirements, and all costs of operation and maintenance of the Authority's electric system and all necessary repairs, replacements, and renewals thereof.
2. The Authority is restricted from issuing additional parity bonds unless certain conditions are met.

As of December 31, 2002, the Authority is in compliance with all debt covenants.

Note 5 – Commercial Paper:

The Board of Directors has authorized the issuance of commercial paper not to exceed $500 million. The paper is issued for valid corporate purposes with a term not to exceed 270 days. For the years ended December 31, 2002 and 2001, the information related to commercial paper was as follows:

	2002	2001
Effective interest rate (at December 31)	**1.23%**	1.71%
Average annual amount outstanding ($000)	$ **314,819**	$ 332,438
Average maturity	**41 days**	50 days
Average annual effective interest rate	**1.46%**	2.83%

At December 31, 2002 the Authority had a Revolving Credit Agreement with Toronto-Dominion (Texas), Inc. and The Bank of Nova Scotia, acting through its New York agency for $400 million. This agreement is used to support the Authority's issuance of commercial paper. There were no borrowings under the agreement during 2002 or 2001.

Commercial Paper outstanding at December 31, was as follows:

	2002	2001
	(Thousands)	
Commercial Paper-Gross	$ **303,225**	$ 308,984
Less: Unamortized Discount on Taxable Commercial Paper	**48**	19
Commercial Paper-Net	$ **303,177**	$ 308,965

Note 6 – Summer Nuclear Station:

The Authority and South Carolina Electric and Gas (SCE&G) are parties to a joint ownership agreement providing that the Authority and SCE&G shall own the Summer Nuclear Station with undivided interests of 33 1/3% and 66 2/3%, respectively. SCE&G is solely responsible for the design, construction, budgeting, management, operation, maintenance, and decommissioning of the Summer Nuclear Station, and the Authority is obligated to pay its ownership share of all costs relating thereto. The Authority receives 33 1/3% of the net electricity generated. At December 31, 2002 and 2001, the plant accounts before depreciation included approximately $488.0 million and $491.0 million, respectively, representing the Authority's investment, including capitalized interest, in the Summer Nuclear Station. For the years ended December 31, 2002 and 2001, the Authority's operation and maintenance expenses includes $49.9 million and $47.6 million, respectively, for the Summer Nuclear Station.

Nuclear fuel costs are being amortized based on energy expended, which includes a component for estimated disposal costs of spent nuclear fuel. This amortization is included in fuel expense and is recovered through the Authority's rates.

In 2002, SCE&G commenced a re-racking project of the on-site spent fuel pool. The new pool storage capability will permit full core off-load through 2016. Further on-site storage, if required, will be accomplished through dry cask storage or other technology as it becomes available.

The Nuclear Regulatory Commission (NRC) requires a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable NRC regulations, the Authority established an external trust fund and began making deposits into this fund in September 1990. In addition to providing for the minimum requirements imposed by the NRC, the Authority makes deposits into an internal fund in the amount necessary to fund the difference between a site-specific decommissioning study completed in 2000 and the NRC's imposed minimum requirement. Based on these estimates, the Authority's one-third share of the estimated decommissioning costs of the Summer Nuclear Station equals approximately $143.4 million in 1999 dollars. The Authority accrues for its share of the estimated decommissioning costs over the remaining life of the facility. These costs are being recovered through the Authority's rates. See Note 1, item N for a discussion of issued, but not yet effective, accounting pronouncement FASB 143. Based on current decommissioning cost estimates developed by SCE&G, these funds, which totaled approximately $100.8 million (adjusted to market) at December 31, 2002, along with future deposits into both the external and internal decommissioning accounts and investment earnings, are estimated to provide sufficient funds for the Authority's one-third share of the total decommissioning costs.

The Energy Policy Act of 1992 gave the Department of Energy (DOE) the authority to assess utilities for the decommissioning of its facilities used for the enrichment of uranium included in nuclear fuel costs. In order to decommission these facilities, the DOE estimates that it would need to charge utilities a total of $150 million, indexed for inflation, annually for 15 years based on enrichment services used by utilities in past periods. Based on an estimate from SCE&G covering the 15 years, the Authority's remaining one-third share of the liability at December 31, 2002 totals $983,000. Such amount has been deferred and will be recovered through rates as paid. These costs are included on the accompanying balance sheets in "Deferred debits and other noncurrent assets-Other" and "Other deferred credits and noncurrent liabilities."

Note 7 – Leases:

The Authority has capital lease contracts with Central Electric Power Cooperative, Inc. (Central), covering a steam electric generating plant, transmission facilities, and various other facilities. The remaining lease terms range from 1 to 12 years. Quarterly lease payments are based on a sum equal to the interest on and principal of Central's indebtedness to the Rural Utilities Service (formerly Rural Electrification Administration) for funds borrowed to construct the above-mentioned facilities. The Authority has options to purchase the leased properties at any time during the period of the lease agreements for sums equal to Central's indebtedness remaining outstanding on the properties at the time the options are exercised or to return the properties at the termination of the lease. The Authority plans to exercise each and every option to acquire ownership of such facilities prior to expiration of the leases.

Future minimum lease payments on Central leases at December 31, 2002 were as follows:

Year ending December 31:	Amount (Thousands)
2003	$ 3,819
2004	3,708
2005	3,604
2006	3,388
2007	3,335
2008-2012	10,663
2013-2014	1,314
Total minimum lease payments	29,831
Less amounts representing interest	5,553
Balance at December 31, 2002	$ 24,278

Property under capital leases and related accumulated amortization included in utility plant at December 31, 2002 totaled approximately $93.0 million and $75.1 million, respectively and at December 31, 2001 totaled $93.9 million and $73.2 million, respectively.

Operating lease payments totaled approximately $6.0 million and $5.9 million during the years ended December 31, 2002 and 2001, respectively. Included in these operating leases are periodic expenses related to the leased coal cars, which are reflected in fuel inventory. The terms of the current coal car leases vary from one month to three years, with the three year lease expiring in 2005. The approximate lease amounts for the coal cars to be paid in calendar year 2003, 2004 and 2005 amount to $4.7 million, $2.4 million and $1.3 million, respectively.

Note 8 – Contracts with Electric Power Cooperatives:

Power supply and transmission services are provided to Central in accordance with a power system coordination and integration agreement (the "Coordination Agreement"). In addition, the Authority is the sole supplier of Central's energy needs excluding energy Central receives from the Southeastern Power Administration (SEPA) and SCE&G.

Central, under the terms of the contract with the Authority, has the right to audit costs billed to them under the cost of service contract. To the extent that differences arise due to this process, prospective adjustments are made to cost of service that is reflected in operating revenues in the accompanying Combined Statements of Revenues, Expenses and Changes in Net Assets. Such adjustments in 2002 were not material to the Authority's overall operating revenue.

Saluda River Electric Cooperative Inc. ("Saluda") began receiving power from the Authority on January 1, 2001 pursuant to a long-term power supply agreement between Saluda and the Authority (the "Power Sales Agreement"). The Power Sales Agreement was to terminate upon the earlier of (a) two years notice that Saluda has disposed of its interest in the Catawba Nuclear Station or (b) January 31, 2009. During 2001, Saluda notified the Authority in writing that Saluda would be unable to continue paying for service due to its cash position. Pursuant to the terms of the Power Sales Agreement, service to Saluda became subject to the Wholesale Power Contract between Central and Saluda.

On November 22, 2002, the Authority, Central and Saluda entered into several agreements relating to the applicable terms and conditions of service under their respective agreements. The agreements, among other things, provide for the Authority to serve Saluda's load above its Catawba and SEPA resources through Central under the Coordination Agreement. The agreements have received approval by the Rural Utilities Services, a subdivision of the U.S. Department of Agriculture.

Note 9 – Commitments and Contingencies:

Budget - The Authority's capital budget provides for expenditures of approximately $508.1 million during the year ending December 31, 2003 and $637.6 million during the two years thereafter. These expenditures include $59.9 million associated with new generating units being constructed to begin operations in 2004; $550.1 million for future generating facilities; and $177.8 million for environmental compliance expenditures. The total cost, including the financing costs, of the new generating units to begin operations in 2004 is estimated to be $120 million. Capital expenditures will be financed by internally generated funds and a combination of taxable and tax-exempt debt.

Purchase Commitments - The Authority has contracted for long-term coal purchases under contracts with estimated outstanding minimum obligations after December 31, 2002 as follows:

Year ending December 31:	Amount (Thousands)
2003	$ 146,824
2004	145,442
2005	129,253
2006	87,193
2007	87,913
2008-2012	44,085
Total	$ 640,710

The Authority's outstanding minimum obligations under an existing long-term purchased power contract as of December 31, 2002 was approximately $83.25 million with a remaining term of 32 years. In addition, the Authority has one short-term purchased power contract with a minimum obligation of approximately $10 million with a term of one year or less beginning in 2003.

CSX Transportation Inc. (CSX) provides substantially all rail transportation service for the Authority's coal-fired generating units. On December 31, 2002, the contract between the Authority and CSX expired. The parties reached agreement on the primary issues for a new contract in September 2002 and are currently negotiating the details of the new solid fuel transportation service contract agreement. Until such time as the new contract can be finalized, both parties have agreed that payment for shipments will be based on the new agreed upon rates, but the terms and conditions of the prior contract will apply. This new contract will continue to apply a price per ton of coal moved, with the new minimum being set at four million tons per year. Management is confident that a satisfactory contract will be reached within the first quarter of 2003.

The Authority has commitments for nuclear fuel enrichment and fabrication contracts which are contingent upon the operating requirements of the nuclear unit. As of December 31, 2002, these commitments total approximately $68.6 million over the next 9 years.

The Authority has contracted for a long-term service agreement with General Electric International Inc. in the approximate amount of $76.0 million over the contract term at the Rainey Generating Station. The contract term is expected to be in effect through 2009. The agreement provides a service director, initial spare parts, parts and services for specified planned and unplanned maintenance outages and remote monitoring and diagnostics of the turbine generators. The agreement contains certain guarantees pertaining to unit availability, performance and NOx emissions and can be cancelled on Unit 1 after the first hot gas path inspection for $3 million and on Unit 2 after the first combustion inspection for approximately $1.3 million.

Effective November 1, 2000, the Authority contracted with Transcontinental Gas Pipeline Corporation (TRANSCO) to supply gas transportation needs for its Rainey Generating Station. This is a firm transportation contract covering a maximum of 80,000 decatherms per day for fifteen years.

Risk Management – The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. The Authority purchases commercial insurance to cover these risks, subject to coverage limits and various exclusions. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Policies are subject to deductibles ranging from $5,000 to $1 million with the exception of Rainey Generating Station which carries an approximate $2.5 million deductible and named storm losses which carry deductibles from $1 million up to $15 million. Also a $1.4 million general liability self-insured layer exists between the Authority's primary and excess liability policies.

The Authority is self-insured for auto, dental, and environmental incidents that do not arise out of an insured event. The Authority purchases commercial insurance, subject to coverage limits and various exclusions, to cover automotive exposure in excess of $2 million per incident. Risk exposure for the dental plan is limited by plan provisions. There have been no third-party claims for environmental damages for 2002 or 2001. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

At December 31, 2002, the amount of the self-insured liabilities for auto, dental, worker's compensation and environmental remediation was approximately $1.6 million. The liability is the Authority's best estimate based on available information. Changes in the reported liability are as follows:

	2002	2001
	(Thousands)	
Unpaid claims and claim expenses at beginning of year	**$1,426**	$ 1,907
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	**1,574**	1,175
Payments for current and prior years	**1,434**	1,656
Total unpaid claims and claim expenses at end of year	**$1,566**	$ 1,426

The Authority pays insurance premiums to certain other state agencies to cover risks that may occur in normal operations. The insurers promise to pay to, or on behalf of, the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. Several state funds accumulate assets, and the state itself assumes all risks for the following:

1) Claims of covered employees for health benefits (Employee Insurance Program Office); and
2) Claims of covered employees for long-term disability and group life insurance benefits (Retirement System).

Employees elect health coverage through either a health maintenance organization or through the state's self-insured plan. All other coverages listed above are through the applicable state self-insured plan except that additional group life and long-term disability premiums are remitted to commercial carriers. The Authority assumes the risk for claims of employees for unemployment compensation benefits and pays claims through the state's self-insured plan.

Nuclear Insurance – The maximum liability for public claims arising from any nuclear incident has been established at $9.5 billion by the Price-Anderson Indemnification Act. This $9.5 billion would be covered by nuclear liability insurance of about $200 million per site, with potential retrospective assessments of up to $88.1 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed $10 million per incident, per year). Based on its one-third interest in Summer Nuclear Station, the Authority could be responsible for the maximum assessment of $29.4 million, not to exceed approximately $3.3 million per incident, per year. This amount is subject to further increases to reflect the effect of (i) inflation, (ii) the licensing for operation of additional nuclear reactors, and (iii) any increase in the amount of commercial liability insurance required to be maintained by the NRC.

Additionally, SCE&G and the Authority maintain with Nuclear Electric Insurance Limited (NEIL) $500 million primary and $1.5 billion excess property and decontamination insurance to cover the costs of cleanup of the facility in the event of an accident. In addition to the premiums paid on the primary and excess policies, SCE&G and the Authority could also be assessed a retrospective premium, not to exceed ten times the annual premium of each policy, in the event of property damage to any nuclear generating facility covered by NEIL. Based on current annual premiums and the Authority's one-third interest, the Authority's maximum retrospective premium would be $3.0 million for the primary policy and $3.3 million for the excess policy.

SCE&G and the Authority also maintain accidental outage insurance to cover replacement power costs (within policy limits) associated with an insured property loss. This policy also carries a potential retrospective assessment of $1.4 million.

The Authority is self-insured for any retrospective premium assessments, claims in excess of stated coverage, or cost increases due to the purchase of replacement power associated with an uninsured event. Management does not expect any retrospective assessments, claims in excess of stated coverage, or cost increases for any periods through December 31, 2002.

Clean Air Act – The Authority endeavors to ensure that its facilities comply with applicable environmental regulations and standards.

Congress has promulgated comprehensive amendments to the Clean Air Act, including the addition of a new federal program relating to acid precipitation. The Authority has evaluated the potential impact of this legislation, including new limits on the allowable rates of emission of sulfur dioxide and nitrogen oxides.

In July 2000, the Authority received a request for information from the U.S. Environmental Protection Agency (EPA) pursuant to Section 114 of the Clean Air Act. The request is part of the EPA's ongoing enforcement initiative involving the power-generating sector, with particular emphasis on coal-fired units. The Authority has responded to the request for information, including an update request in December 2002, and is engaged in discussions with EPA about its compliance status. No accurate prediction of the outcome of this inquiry can be made at this time.

The EPA has finalized regulations related to ozone transport for 22 eastern states including South Carolina. These regulations (known as the "SIP call") require significant NOx emission reductions from the power industry. As a result, the Authority believes that its cost of compliance, including capital costs, could approach approximately $280 million by 2005 and annual operating costs associated with such compliance could approach $10 million.

Safe Drinking Water Act - The Safe Drinking Water Act (SDWA) was reauthorized during 1996. The Authority continues to stay abreast of proposed regulatory changes as they are developed.

Clean Water Act - The Congress is due to consider reauthorization of the Clean Water Act (CWA). The complex act could generate regulatory changes that could impact the power generation sector. The Authority will be monitoring for CWA regulatory issues impacting electrical utilities.

Open Access Transmission Tariff - In 1997, FERC adopted an order approving the Authority's transmission rates, ancillary charges, and non-rate terms and conditions.

The Authority is participating in the VACAR Open Access Same-Time Information System (OASIS) via the Internet and has implemented and filed with FERC procedures for implementation of non-discriminatory standards of conduct.

Regional Transmission Organizations (RTOs) - On September 24, 2001, the Authority, along with six municipal and electric cooperative transmission owners and Southern Company, executed an agreement to investigate the development of a RTO for the southeastern United States, currently referred to as SeTrans. The Entergy Companies, CLECO Power L.L.C. and Sam Rayburn G&T Cooperative, Inc. have since then become signatories to this agreement. Discussions and negotiations regarding the development of a RTO in the Authority's region are ongoing, and their outcome and any potential impact on the Authority are unknown at this time. In February 2003, the Authority provided written notice to the SeTrans Sponsors of its withdrawal from the SeTrans Development Process. The Authority intends to continue its participation on the Stakeholder Advisory Committee and in the Stakeholder Process. The Authority maintains the option to participate in the Development Process or become a member of SeTrans.

Competition - The electric industry has become, and is expected to be, increasingly competitive due to regulatory changes and market developments. As utilities move from a regulated environment where rates are based on cost of service to a deregulated environment where rates are based on market forces, there may be costs that cannot be recovered by charging the market rate. Some deregulation measures proposed to date allow for recovery of some portion of these costs but ultimate regulatory treatment of such costs cannot be predicted.

The Authority has developed and is implementing a long-term strategic plan to position the Authority to compete effectively in the changing competitive environment. Consistent with the plan, the Authority is implementing initiatives to reduce outstanding debt, achieve more financial flexibility, reduce operating, maintenance and capital costs, increase revenue, retain customers, and strengthen employee performance and accountability.

While the Authority is taking these and other actions to prepare for a deregulated market, the Authority cannot predict what effects increased competition will have on the operations and financial condition of the Authority.

Legal Matters - The Authority is a party in various claims and lawsuits that arise in the conduct of its business. Although the results of litigation cannot be predicted with certainty, in the opinion of management and Authority counsel, the ultimate disposition of these matters will not have a material adverse effect on the financial position or results of operations of the Authority, except as described below.

Certain plaintiffs have filed suit against the Authority seeking monetary damages arising out of a change in the Authority's "Good Cents" rate. The plaintiffs seek to represent a class of all "Good Cents" customers of the Authority. The Authority answered the complaint by denying the material allegations and opposing the request for class certification. A class certification was granted to the plaintiffs. Discovery is ongoing. No accurate prediction of the outcome can be made at this time. In the opinion of the Authority management and counsel, it is not probable, but it is reasonably possible that the plaintiffs will prevail. But, if the plaintiffs are successful on all claims, the ultimate liabilities arising out of this claim could be between $20 and $30 million.

In a separate case, landowners located along the Santee River contend that the Authority is liable for damage to their real estate as a result of flooding that has occurred since the U.S. Army Corps of Engineers Cooper River Rediversion Project was completed in 1985. A jury trial held in 1997 in the U.S. District Court, Charleston, South Carolina returned a verdict against the Authority on certain causes of action. The District Court has not set a separate trial on the damages phase of the case. No estimate relative to potential loss to the Authority can be made at this time.

An action was instituted in State Court by a number of leaseholders of land offered for sale to them by the Authority, the lessor. The Plaintiffs allege that the property was improperly appraised and offered to them at an unfair price. Summary Judgement has been granted in the favor of the Authority, and Plaintiffs have appealed the decision. No estimate relative to potential loss to the Authority can be made at this time.

Note 10 – Retirement Plan:

Substantially all Authority regular employees must participate in one of the components of the South Carolina Retirement System (System), a cost sharing, multiple-employer public employee retirement system, which was established by Section 9-1-20 of the South Carolina Code of Laws. The payroll for active employees covered by the System for each of the years ended December 31, 2002 and 2001 was approximately $86.2 million and $83.0 million, respectively.

Vested employees who retire at age 65 or with 28 years of service at any age are entitled to a retirement benefit, payable monthly for life. The annual benefit amount is equal to 1.82% of their average final compensation times years of service. Benefits fully vest on reaching five years of service. Reduced retirement benefits are payable as early as age 55 with 25 years of service. The System also provides death and disability benefits. Benefits are established by state statute.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allowed employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make System contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. Each participant is entitled to be paid for up to 45 days of accumulated unused annual vacation leave upon retirement and again at the end of the program period for any annual vacation leave earned during the program period.

Article X, Section 16 of the South Carolina Constitution requires that all state-operated retirement plans be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws (as amended) prescribes requirements relating to membership, benefits, and employee/employer contributions.

Employees are required by state statute to contribute 6% of salary to the System. The Authority is required by the same statute to contribute 7.55% of total payroll for retirement and an additional 0.15% for group life. The contribution requirement for the years ended December 31, 2002 and 2001 was approximately $7.1 million and $6.6 million, respectively, from the Authority and $5.2 million and $5.0 million, respectively from employees. The Authority made 100% of the required contributions for each of the years ended December 31, 2002 and 2001.

The System issues a stand alone financial report that includes all required supplementary information. The report may be obtained by writing to: South Carolina Retirement System, P.O. Box 11960, Columbia, S.C. 29211.

Effective July 1, 2002, new employees have a choice of type of retirement plan in which to enroll. The State Optional Retirement Plan (State ORP) which is a defined contribution plan is an alternative to the System retirement plan which is a defined benefit plan. The contribution amounts are the same, (6% employee cost and 7.55% employer cost) however, 5% of the employer amount is directed to the vendor chosen by the employee and the remaining 2.55% is to the Retirement System. As of December 31, 2002, two of the Authority's employees were participants in the State ORP and consequently the related payments are not material.

The Authority is the non-operating owner (one-third share) of SCE&G's V. C. Summer Nuclear Station. As such the Authority is responsible for funding its share of FASB 87 pension requirements for the nuclear station personnel. The established pension plan generates earnings which are shared proportionately and used to reduce the allocated funding. As of December 31, 2002, the Authority had overfunded its share of the plan FASB 87 requirements due to these earnings in the amount of $9.1 million. This receivable will be applied to future years as additional expenditures are required to meet the Authority's funding obligation.

The Authority also provides compensation benefits to certain employees designated by management and the board of directors under the Supplemental Executive Retirement Plan (SERP). The cost of these benefits is accrued on an actuarially determined basis. The accrued liability at December 31, 2002 and 2001 was approximately $6.3 million and $6.4 million, respectively.

Note 11 – Other Postretirement Benefits:

The South Carolina Retirement System provides certain health, dental, and life insurance benefits for retired employees of the Authority. Substantially all of the Authority's employees may become eligible for these benefits if they retire at any age with 28 years of service or at age 60 with at least 20 years of service. Currently, approximately 423 retirees meet these requirements. The cost of the health, dental and life insurance benefits are recognized as expense as the premiums are paid. For the years ended December 31, 2002 and 2001, these costs totaled approximately $1.8 million and $1.5 million, respectively.

During their first ten years of service, full-time employees can earn up to 15 days vacation leave per year. After ten years of service, employees earn an additional day of vacation leave for each year of service over ten until they reach the maximum of 25 days per year. Employees earn annually a half day per month plus three additional days at year-end for sick leave.

Employees may carry forward up to 45 days of vacation leave and 180 days of sick leave from one calendar year to the next. Upon termination, the Authority pays employees for accumulated vacation leave at the pay rate then in effect. In addition, the Authority pays employees upon retirement 20% of their accumulated sick leave at the pay rate then in effect.

Note 12 – Credit Risk and Major Customers:

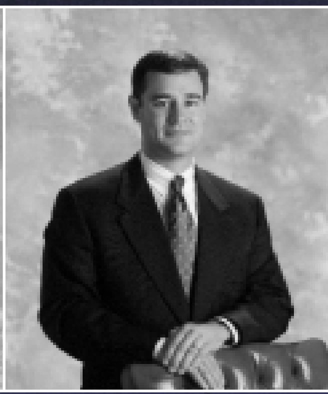
Concentrations of credit risk with respect to the Authority's receivables are limited due to the large number of customers in the Authority's customer base and their dispersion across different industries. The Authority maintains an allowance for uncollectible accounts based upon the expected collectibility of all accounts receivable.

Sales to two major customers for the years ended December 31, 2002 and 2001 were as follows:

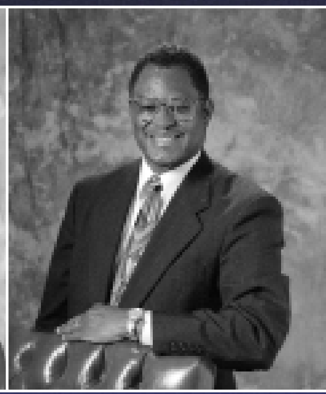
	2002	2001
	(Thousands)	
Central (including Saluda)	**$ 514,000**	$473,000
Alumax of South Carolina	**$ 101,000**	$ 99,000

No other customer accounted for more than 10% of the Authority's sales for either of the years ended December 31, 2002 or 2001.

H. Donald McElveen
Chairman



J. Calhoun Land IV
First Vice Chairman



Julius Barnes
Second Vice Chairman

William H. Alford

Patrick T. Allen

H. Donald McElveen P.E.
Chairman
Columbia, S.C.

J. Calhoun Land IV
First Vice Chairman
Represents 6th
Congressional District
Manning, S.C.

Julius Barnes
Second Vice Chairman
Represents Berkeley County
St. Stephen, S.C.

William H. Alford
Represents Horry County
Conway, S.C.

Patrick T. Allen
Represents the electric
cooperatives of South Carolina
Columbia, S.C.

BOARD OF DIRECTORS

Merl F. Code | Laura M. Fleming | Willie E. Givens Jr. | John R. Jordan | Joseph J. Turner Jr. | J. Mike Wooten

Merl F. Code
Represents 4th
Congressional District
Greenville, S.C.

Laura M. Fleming
Represents 5th
Congressional District
Lancaster, S.C.

Willie E. Givens Jr.
Represents 1st
Congressional District
Charleston, S.C.

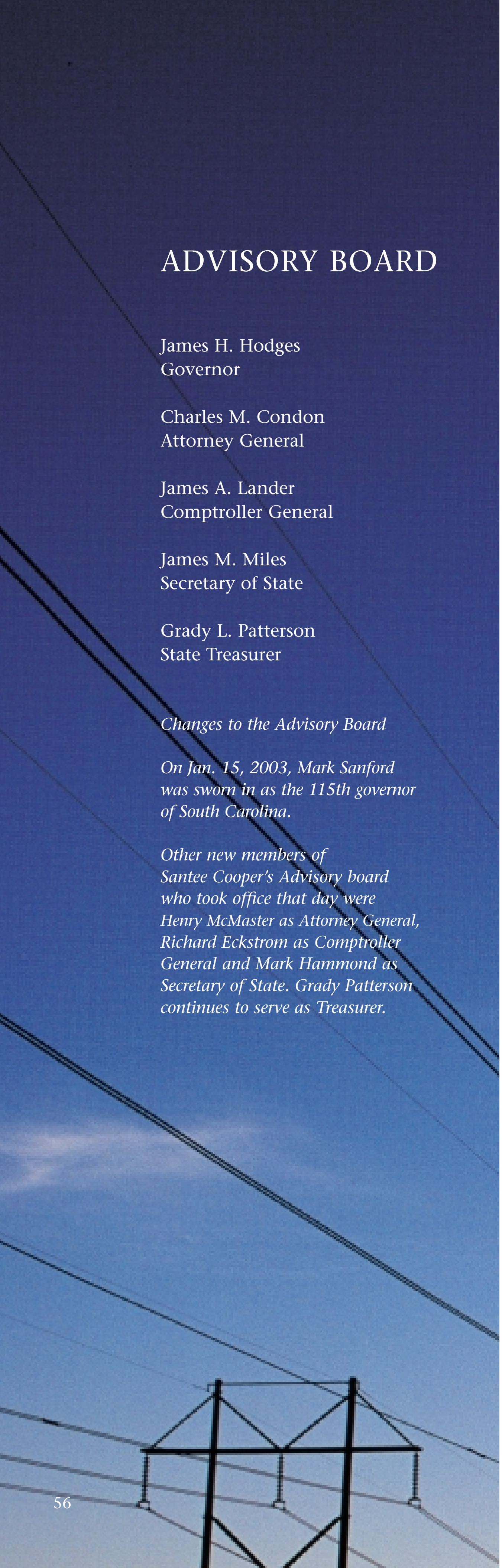
John R. Jordan
Represents 2nd
Congressional District
Columbia, S.C.

Joseph J. Turner Jr.
Represents 3rd
Congressional District
Clemson, S.C.

J. Mike Wooten
Represents Georgetown County
Georgetown, S.C.

Changes in the Board

In May 2002, William H. Alford replaced Fran B. Gilbert on the Santee Cooper Board of Directors.
In January 2003, H. Donald McElveen resigned as chairman.



ADVISORY BOARD

James H. Hodges
Governor

Charles M. Condon
Attorney General

James A. Lander
Comptroller General

James M. Miles
Secretary of State

Grady L. Patterson
State Treasurer

Changes to the Advisory Board

On Jan. 15, 2003, Mark Sanford was sworn in as the 115th governor of South Carolina.

Other new members of Santee Cooper's Advisory board who took office that day were Henry McMaster as Attorney General, Richard Eckstrom as Comptroller General and Mark Hammond as Secretary of State. Grady Patterson continues to serve as Treasurer.

MANAGEMENT

President and CEO	John H. Tiencken Jr.*
Executive Vice President & Chief Operating Officer	Bill McCall*
Executive Vice President & Chief Legal Officer	John S. West*
Senior Vice Presidents:	
Power Delivery	Terry L. Blackwell
Corporate Planning & Bulk Power	Lonnie N. Carter*
Generation	Maxie C. Chaplin
Community Development & Corporate Communications	Ben Cole
Administration and Finance	Elaine G. Peterson*
Vice Presidents:	
Marketing & Operations	Zack W. Dusenbury
Human Resource Management	Ronald H. Holmes
Engineering & Construction Services	Byron C. Rodgers Jr.
Fossil & Hydro Generation	R.M. Singletary
Power Delivery Planning	William R. Sutton
Controller	Glenda W. Gillette
Treasurer	H. Roderick Murchison
General Auditor	Thomas L. Richardson
Corporate Secretary & Manager, Community Relations	W. Glen Brown Jr.

*Member of executive management team

SCHEDULE OF REFUNDED & DEFEASED BONDS OUTSTANDING

As of December 31, 2002
(In Thousands)

Call Date	January 1, 2003		January 1, 2003		January 16, 2003		At Maturity		At Maturity	
Series	1993-A(2)		1993-C		1993-B(2)		1992-A REF(2)(3)		1996-A REF(3)	
Original Maturity January 1	Int. Rate	Amount	Int. Rate	Amount	Int. Rate	Amount	Int. Rate	Amount	Int. Rate	Amount
2003										
2004	5.20	10,115								
2005	5.30	7,080	4 5/8	6,440						
2006			4 3/4	13,310	5.40	10,400 (5)	6.20	6,680	6 1/4	5,665
2007	5 1/2	8,410	4 7/8	11,755						
2008	5 1/2	10,920	5.00	18,230						
2009	5 1/2	9,765	5.00	1,470						
2010	5 1/2	11,480	5.10	19,210 (6)						
2011	5 1/2	11,240	5.10	16,740 *						
2012			5.00	19,040 *	5.60	12,100 (5)				
2013			5.00	16,645 *	5.60	29,300 (5)				
2014	5 1/2	38,255 *	5.00	9,255 *						
2015	5 1/2	18,905 *								
2016	5 1/2	19,880 *								
2017	5 1/2	20,920 *								
2018	5 1/2	22,000 *								
2019	5 1/2	43,270 *								
2020	5 1/2	42,015 *								
2021	5 1/2	18,995 *								
2022										
2023										
2024										
2025										
2026										
2027										
2028										
2029										
2030										
2031										
2032										
2033										
2034										
2035										
2036										
2037										
Totals per Series		293,250		132,095		51,800		6,680		5,665
Totals per Call Date	425,345				51,800		12,345			

*Term Bonds

See Schedule of Bonds Outstanding for footnotes.

As of December 31, 2002
(In Thousands)

Maturity Date	PRIORITY BONDS 1967 Series(2)		REVENUE BONDS 1993 A&B Refunding Series(2)		1993 C Refunding Series		1995 A Refunding Series		1995 B Refunding Series		1996 A Refunding Series		1996 B Refunding Series		1997 A Refunding Series		1998 A Refunding Series		1998 B Refunding Series	
Jan. 1	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt
2003	4.10	3,870 *	5.20	6,280	4 1/2	12,030	6 1/4	7,890	5.40	3,410	6 1/4	1,645					5.00	20,680	4.00	625
2004	4.10	4,045 *			4 1/2	12,590			6 1/2	10,160	6 1/4	3,565							4 1/8	655
2005	4.10	4,230 *							6 1/2	10,765	6 1/4	4,645			5.00	2,025			4 1/4	685
2006	4.10	4,420 *							6 1/2	10,350									4.40	715
2007																			4 1/2	750
2008							6 1/8	815 *	5.70	3,255	6 1/2	3,730							4 1/2	785
2009											5 3/4	1,035 *							4 1/2	825
2010							6 1/8	860 *	5.80	3,485	5 3/4	15,170 *			4 7/8	2,505			4.70	865
2011							6 1/8	915 *	5.80	3,705	5 3/4	6,165 *			4.90	9,780			4 3/4	905
2012							6 1/8	970 *	5 7/8	3,940	5 3/4	5,615 *			5.00	15,040			5 1/4	955 *
2013							6 1/8	1,025 *	5 7/8	4,180	5 3/4	5,925 *			5.00	15,815			5 1/4	1,010 *
2014							6 1/8	4,460 *	5 7/8	4,430	5 3/4	6,530 *			5.00	16,630			5.00	1,065 *
2015					5.00	15,825	6 1/4	8,275 *	5 7/8	4,705	5 3/4	7,005 *			5.00	12,980			5.00	1,120 *
2016					5.00	23,265 *	6 1/4	4,670 *	5 7/8	5,000 *	5 3/4	13,075 *			5.00	9,095 *			5.00	1,180 *
2017					5.00	19,045 *	6 1/4	680 *	5 7/8	5,320 *	5 3/4	19,650 *			5.00	9,485 *			5.00	1,245 *
2018					5.00	14,055 *	6 1/4	720 *	5 7/8	5,685 *	5 3/4	20,735 *			5.00	22,410 *			5.00	1,310 *
2019					5 1/8	18,555 *	6 1/4	10,400 *	5 7/8	6,085 *	5 3/4	21,875 *			5.00	17,755 *			5.00	1,380 *
2020					5 1/8	23,880 *	6 1/4	23,100 *	5 7/8	6,515 *	5 3/4	23,155 *			5.00	380 *			5.00	1,455 *
2021					5 1/8	27,120 *	6 1/4	24,915 *	5 7/8	6,970 *	5 3/4	38,535 *			5.00	400 *			5.00	1,530 *
2022					5.00	29,460 *	6 1/4	11,505 *	5 7/8	34,165 *	5 3/4	24,185 *	5 1/2	11,435 *	5.00	420 *			5.00	1,615 *
2023					5.00	28,595 *			5 7/8	30,270 *			5 1/2	10,070 *	5.00	440 *			5.00	1,700 *
2024					5.00	28,165 *									5.00	465 *			5.00	1,790 *
2025					5.00	29,575 *									5.00	485 *			5.00	1,000 *
2026					5 1/8	31,055 *									5.00	510 *				
2027					5 1/8	26,585 *									5.00	6,595 *				
2028					5 1/8	21,890 *									5.00	12,985 *				
2029					5 1/8	23,010 *									5.00	13,635 *				
2030					5 1/8	24,185 *									5 1/8	14,315 *				
2031					5 1/8	25,425 *									5 1/8	15,050 *				
2032					5 1/8	13,030 *									5 1/8	7,710 *				
2033																				
2034																				
2035																				
2036																				
2037																				
Add:																				
Total Outstanding As of 12/31/02		16,565		6,280		447,340		101,200		162,395		222,240		21,505		206,910		20,680		25,165
Bonds Redeemed As of 12/31/02		35,035		33,795		51,925		38,485		14,680		39,140		61,965		7,645		80,205		1,650
Bonds Refunded As of 12/31/02		0		345,050		132,095		0		0		5,665 (3)		0		0		0		0
Net: Original Issue Amt.		51,600		385,125		631,360		139,685		177,075		267,045		83,470		214,555		100,885		26,815

* Term Bonds
(1) Rounding may cause small variances.
(2) Maturities are on July 1 instead on January 1.

(3) Cash defeased to maturity, $6,680,000 of the 1992A Refunding Bonds due 7/1/06 and $5,665,000 of the 1996A Refunding Bonds due 1/1/06. Bonds are subject to the original call provisions as stated in each official statement. (For details on calls see "Schedule of Refunded and Defeased Bonds Outstanding.")

SCHEDULE OF BONDS OUTSTANDING[1]

REVENUE OBLIGATIONS																		
1999 A Tax-Exempt Series		1999 B Taxable Series		2001 A Improvement Series		2001 A Refunding Series(2)		2002 A Refunding Series		2002 B Tax-Exempt Series		2002 C Taxable Series		2002 D Refunding Series		Total Principal	Total Revenue	Total Debt
Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Maturities(4)	Interest(4)	Service(4)
5.00	5,360	6.68	19,005											2 1/2	945	81,740	127,089	208,829
5 3/8	5,670	6.85	28,955											3.00	5,630	71,270	128,620	199,890
5.00	5,990	6.97	4,225	3 1/4	2,020			5.00	3,715			4.46	23,010	5.00	15,515	76,825	124,604	201,429
5 3/8	6,335	7.07	4,455	3.40	2,085	4.00	3,100	5.00	3,705			4.93	16,930	5.00	22,830	74,925	120,750	195,675
4.80	6,695	7.12	4,705	4.00	2,155			5.00	4,105			5.27	30,865	5.00	21,715	70,990	116,802	187,792
5 1/2	7,070	7.17	4,980	4 1/2	2,240			5 1/2	7,860			5.51	20,970	4.00	28,690	80,395	112,908	193,303
5 1/2	7,480	7.22	5,270	4 1/2	2,340			5 1/2	8,290	5.00	3,815			5.00	14,800	43,855	109,670	153,525
5 1/2	7,940	7.27	5,590 *		2,450 (7)			5 1/2	8,745	5.00	6,835			5.00	30,430	84,875	106,182	191,057
5 1/2	18,325	7.27	38,390 *					5 1/2	10,110					5 1/4	5,800	94,095	100,981	195,076
5 5/8	10,910	7.32	1,465	5.00	2,565			5 1/2	11,555	5 3/8	7,175			5 1/4	30,095	90,285	95,644	185,929
5 5/8	11,540	7.37	1,580	5.00	2,690			5 1/2	12,190	5 3/8	7,565			5 1/4	36,500	100,020	90,518	190,538
5 3/4	12,220	7.42	1,700	5.00	2,830			5 1/2	7,310	5 3/8	7,970			5 1/4	42,160	107,305	84,921	192,226
5 3/4	12,940			5 1/4	2,965			5 1/2	2,155	5 3/8	8,395			5 1/4	27,645	104,010	79,210	183,220
5 1/2	13,690			5 1/4	3,125			5 1/2	2,315	5 3/8	8,850			5.00	18,340	102,605	73,678	176,283
5 1/2	14,470			5 1/4	3,290			5 1/2	2,480	5 3/8	9,325			5.00	19,195	104,185	68,182	172,367
5 1/2	9,230			5 1/4	2,800			5 1/2	2,615	5 3/8	9,825			5.00	20,095	109,480	62,517	171,997
5 1/2	9,755			5 1/4	2,945			5 1/2	6,185	5.00	2,000			5.00	31,095	128,030	56,192	184,222
5 1/2	10,305 *			5 1/4	3,100			5 1/8	8,700					5.00	40,860	141,450	48,916	190,366
5 1/2	10,890 *			4 3/4	3,265 *			5 1/8	6,000					5.00	28,420	148,045	40,995	189,040
5 1/2	11,505 *			4 3/4	3,420 *											127,710	33,361	161,071
																71,075	27,869	98,944
																30,420	25,174	55,594
																31,060	23,637	54,697
																31,565	22,052	53,617
																33,180	20,397	53,577
																34,875	18,665	53,540
																36,645	16,849	53,494
																38,500	14,932	53,432
										5 1/8	2,555 *					43,030	12,843	55,873
										5 1/8	30,280 *					51,020	10,433	61,453
										5 1/4	31,835					31,835	8,290	40,125
										5 1/8	33,505 *					33,505	6,596	40,101
										5 1/8	35,220 *					35,220	4,835	40,055
											37,025 *(8)					37,025	2,964	39,989
										5 1/8	38,965 *					38,965	998	39,963
	198,320		120,320		46,285		3,100		108,035		281,140		91,775		440,760	2,520,015	1,998,274	4,518,289
	0		5,000		0		5,505		0		0		0		0	375,030		
	0		0		0		0		0		0		0		0	482,810		
	198,320		125,320		46,285		8,605		108,035		281,140		91,775		440,760	3,377,855		

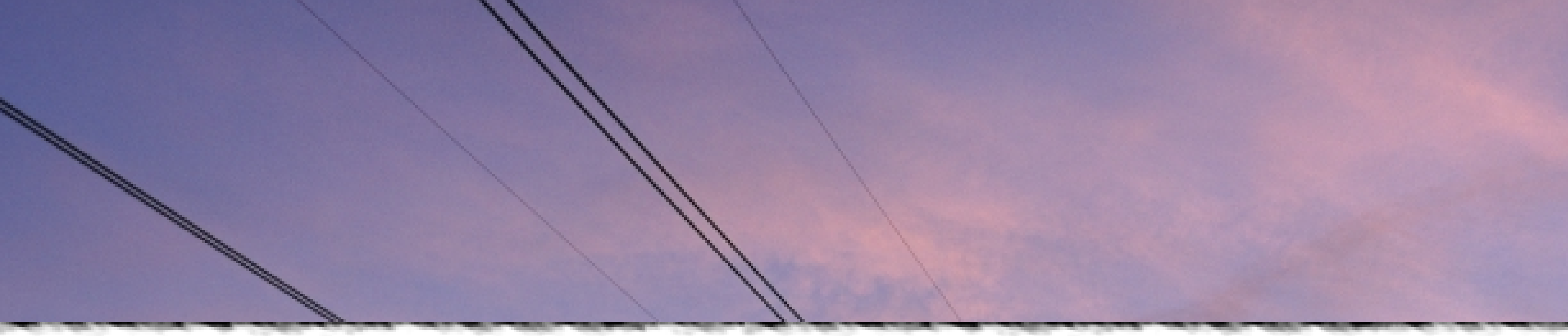
(4) Included in year that payment is made.

(5) These are floating auction tax-exempt ("FLOATs") and residual interest tax-exempt ("RITES") bonds which have a semiannual bond equivalent yield of 5.40% per annum on those maturing 6/30/06 and 5.60% per annum on those with a final maturity of 6/28/13 which are scheduled to be called 1/16/03.

(6) $10,210,000 are serial bonds and $9,000,000 are term bonds.

(7) The 2010 maturity has a split coupon; $2,000,000 at 5.00% and $450,000 at 4.00%.

(8) The 2036 maturity includes the January 1 2036 term bond; principal $10,000,000 at an interest rate of 5.50% and a sinker; principal $27,025,000 at an interest rate of 5.125%.



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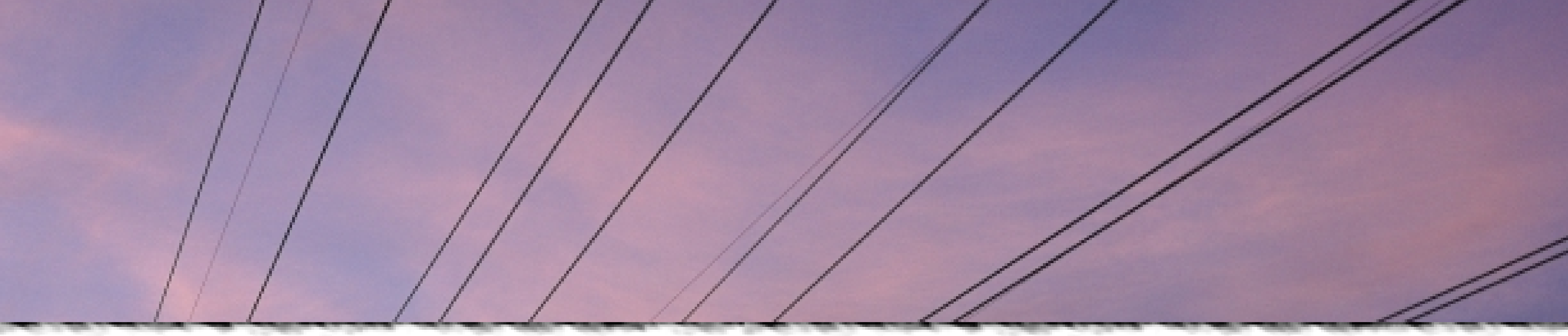

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